Aged care market analysis 2024

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Market overview

KPMG has published an analysis of the aged care market in Australia for the past seven years. This year's analysis focuses on the top 25 providers by market share across Home Care Package funding and residential aged care.

The aged care market continues to remain fragmented, with 861 home care providers and 658 residential aged care providers as at 30 June 2023. This is a 1.8% increase in home care providers in FY23, but a 5.2% decrease in the number of residential aged care providers in the market since FY22.[1] The increase in home care providers can be attributed to National Disability Insurance Scheme (NDIS) providers seeking opportunities to diversify their offering, new entrants capitalising on the changing preferences of older Australians and government policy supporting people to remain living at home for longer.

High levels of merger and acquisition activity continued in the residential aged care market in FY23, following similar activity in FY22, particularly from large providers seeking to improve their economies of scale and influence within the sector, despite the increased pressure from regulatory reforms and program changes impacting current service provision. Small and medium size providers are exiting due to ongoing concerns around financial viability and increased regulatory burden resulting from sector reforms.

Our approach

For this report, KPMG have analysed the aged care service list data published by the Australian Institute of Health and Welfare (AIHW) between FY15 and FY23.[2] This data has been updated, where necessary, to ensure market activity throughout each financial year has been accurately captured. Insights regarding the characteristics and trends of the Australian aged care market have been generated by filtering this data through a number of variables including year, care type, provider type, and location. Market share has been calculated as the proportion of total government funding for residential places attributed to a provider. This report focuses on activity and market composition from 1 July 2022 to 30 June 2023.

Home care services

At 30 June 2023, 258,374 people were accessing a Home Care Package (HCP or package) across Australia, representing a 20% increase (42,631 people) over the previous 12 months. In addition to those accessing an HCP, 19,238 people had been assigned a package and were considering whether to take up the offer, while a further 28,245 people were waiting to be allocated one.[3]

Provider landscape

The HCP market consists of three provider categories: not-for-profit, for-profit and state and local government.

Not-for-profit providers

The not-for-profit market, made up of charitable, religious and community based providers, continues to make up the largest portion of the market. At 30 June 2023, there were 461 not-for-profit providers, accounting for 54% of the market. This represents a reduction of three not-for-profit providers over the past 12 months.[4]

For-profit providers

At 30 June 2023, there were 303 for-profit providers, accounting for 35% of the market. This represents a 7% increase from the same time in 2022 with an additional 21 providers entering the market. myHomecare group and Australian Unity[5] remained the two largest home care providers in FY23, receiving a combined $600 million in government funding.[6]

State and local government providers

Government is often a provider of last resort for HCPs, with state and local governments typically delivering HCP services in regional, rural or remote locations, or 'thin markets' where there is limited supply. At 30 June 2023, the government segment accounted for 11% of the total market (97 providers). This represents a slight decrease from 12% of the total market (100 providers) in FY22. All three exiting providers were local government councils, with two situated in major cities and one in a very remote area.

How is the HCP market changing?

Government expenditure on the HCP program has steadily increased over recent years. In FY23, 178,100 additional HCPs were released by the Australian Government. Of the new packages released in FY23, 15% (27,323 packages) were offered as upgrades to people already on an interim package, while 85% (150,777 packages) were offered to people not on an interim package. HCP Levels 2 and 3 represented the majority of new packages (39% and 36% respectively), followed by Level 4 (20%) and Level 1 (5%).[7] These distributions are similar to those seen in the previous year and are representative of stronger demand for higher level packages compared to entry level support.

While FY22 saw a net decrease in the number of approved HCP providers from FY21, in FY23 there was a 2% increase (15 providers) in the total number of providers compared to the previous year.

The new entrants represented a mix of for-profit and not-for-profit providers, with several existing NDIS providers expanding into the HCP market. With 861 total approved providers at 30 June 2023, the total number of providers is just shy of its peak in FY21 of 867 providers.[8]

While the number of packages and approved HCP providers both grew in FY23, supply continues to be limited by a constrained workforce. For a number of years the home care sector has struggled to attract and retain staff to keep pace with the demand for services, as demand for home care services continues rise. Demand continues to be driven by Australia's ageing population, an increasing preference from older Australians to remain living at home for as long as possible, and the increasing number of packages released into the market.[9]

861

TOTAL APPROVED PROVIDERS AT 30 JUNE 2023

The use of alternative workforce models has continued to grow in the face of constrained workforce conditions, including digital platform operators that connect older people directly with care workers.[10]

It was recently announced that Uniting NSW/ACT, the 10th largest home care provider in Australia, had acquired Find a Carer, an online marketplace where older Australians can connect directly with care workers. This acquisition is illustrative of providers exploring alternate ways to address short-term care needs and workforce shortages. It is anticipated that use of similar platforms will continue to rise over coming years, including when the Support at Home program is introduced by the Australian Government in 2025.

While some uncertainty remains regarding the final design of the program, it is anticipated that the introduction of Support at Home could have a range of impacts on the market:

- There are likely to be considerable shifts across the market, including the entry and exit of service providers as the regulation and funding models change and providers are required to achieve and demonstrate compliance against new requirements.
- Changes in the regulatory environment and the proposed introduction of six different registration categories for providers may lead to lower barriers to entry for providers seeking to deliver entry level services. This may result in a higher number of new entrants in the market delivering services such as domestic assistance, home maintenance, meals and transport.
- Specialised service providers (for example, allied health and/or nursing organisations) are likely to become more common, which may present opportunities for traditional providers to partner with specialised organisations to expand their service offerings.
- Current service providers are likely to be more focused, and potentially deliver fewer services.

Top 25 players in the HCP market

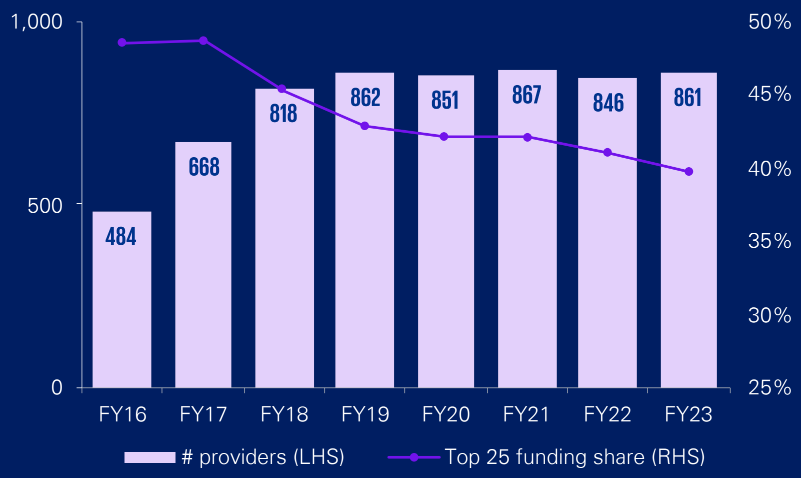
In FY23, the top 25 HCP providers received 40% of total government funding. This represents a small decrease from 41% in FY22 and further continues the downward trend seen since FY16. This trend is reflective of the overall increase in the number of providers in the market over the past seven years, with total funding now distributed across a larger range of providers. This trend also demonstrates that providers outside the top 25 are rapidly growing while, comparatively, many of the top 25 providers are stagnating.

While the number of HCP providers grew significantly from FY16 to FY19, this growth has stabilised over the past five years. Over the same period, the market share held by the top 25 funded providers has steadily decreased. Figure 1 highlights these trends, showing the number of providers in the HCP market from FY16 to FY23, as well as a market share estimation of the top 25 providers, based on the amount of government funding received.

40%

TOTAL PERCENTAGE OF GOVERNMENT FUNDING THE TOP 25 PROVIDERS RECEIVED IN FY23

FIGURE 1: NUMBER OF HCP PROVIDERS (LEFT-HAND SIDE) AND THE SHARE OF TOTAL HCP FUNDING RECEIVED BY THE TOP 25 PROVIDERS (RIGHT-HAND SIDE)



Source: KPMG, 2024 (using data from GEN Aged Care)

Six HCP providers improved their position in the top 25 list in FY23, including two new entrants to the top 25: **Trilogy Care** at number 7 and **ECH** at number 21. Interestingly, while some of these providers offer services outside of the HCP program (e.g. NDIS supports), none of the six providers who improved their position in the top 25 list for FY23 provide residential aged care services.

- **Home Instead** has continued to grow in FY23, increasing from a ranking of 8th in FY22 to 4th in FY23. They operate a franchise model that has enabled rapid scaling, at a relatively low cost and low risk for franchisees.
- **Trilogy Care,** a national, for-profit provider, moved up 39 places in FY23 to be the 7th largest home care provider by government funding. They operate a self-managed model where older Australians are supported to directly engage with their chosen care and support workers. Self-managed models are becoming increasingly attractive to older Australians as these models often incur a lower administration fee which allows a higher proportion of allocated funding to be spent on services. Trilogy Care's growth is underpinned by their self-management model and investment in technology and marketing.
- **Dementia Caring Australia**, a brand under the Caring Group, continued to grow significantly over the past year, moving up to a ranking of 14th in FY23 from 25th in FY22. They exclusively provide support to people living with dementia, with their growth reflective of the increasing demand for specialist services.
- **Right at Home** moved up four places to be ranked 16th in FY23. Founded in the United States, they operate a franchise model and offer a range of in-home services under the HCP program as well as through other programs including the NDIS, Transition Care Programme and private funding.
- **Five Good Friends** has continued to build on their growth over previous years, moving up from 23rd in FY22 to a ranking of 19th in FY23. They operate a low-cost contractor model backed by a technology solution where clients are connected directly with care workers.
- **ECH** is a not-for-profit provider based in South Australia that has moved from a ranking of 27th in FY22 to 21st in FY23. Their recent growth in home care is likely attributed to their refined focus on the home care market, having exited the residential aged care market in 2014 by selling their 11 facilities to **Allity** (now owned by **Bolton Clarke**) and **Regis**.
- **Anglicare (Sydney)** and **Feros Care** departed the top 25 list in FY23, dropping from 21st and 24th respectively in FY22 to 30th and 28th in FY23.

Overall, there were a total of 15 providers from last year's top 25 who regressed in the FY23 ranking. Of these 15 providers, the majority deliver a range of other services in addition to their HCP offering, with most also operating residential aged care facilities.

SIX HCP PROVIDERS

IMPROVED THEIR POSITION IN THE TOP 25 LIST IN FY23

TABLE 1: 25 LARGEST HCP PROVIDERS BY GOVERNMENT FUNDING IN FY23

FY23 RANK	FY22 RANK	PROVIDER	GOVERNMENT FUNDING ($M) FY17	FY18	FY19	FY20	FY21	FY22	FY23	SPARKLINES	COMPOUND ANNUAL GROWTH BY PROVIDER	TOTAL INDUSTRY	VARIANCE
1	1	myHomecare Group	$29.5	$25.7	$30.3	$51.0	$228.3	$316.8	$357.3		51.5%	26.6%	24.9%
2	2	Australian Unity[11]	$16.6	$47.5	$73.3	$127.5	$167.0	$210.1	$242.4		56.4%	26.6%	29.8%
3	3	Blue Care + Wesley Mission QLD + ARRCS	$57.6	$95.7	$103.3	$133.1	$148.9	$165.1	$223.6		25.4%	26.6%	(1.2%)
4	8	Home Instead	$ 0.6	$12.5	$22.4	$40.2	$61.7	$96.2	$142.7		152.3%	26.6%	125.7%
5	4	Silverchain	$26.8	$44.0	$52.5	$69.4	$85.4	$109.7	$136.3		31.1%	26.6%	4.5%
6	5	HammondCare	$46.8	$49.9	$53.1	$58.8	$82.3	$99.7	$129.4		18.5%	26.6%	(8.1%)
7	46	Trilogy Care	$ -	$ -	$ -	$ -	$ 1.1	$21.6	$116.8		928.5%	26.6%	901.9%
8	6	Bolton Clarke	$ 36.1	$ 43.4	$ 51.0	$ 66.7	$ 74.5	$ 99.6	$116.5		21.5%	26.6%	(5.1%)
9	9	BaptistCare NSW, ACT & WA	$ 42.2	$ 50.6	$ 52.6	$ 63.4	$ 71.7	$ 75.3	$111.3		17.5%	26.6%	(9.1%)
10	7	Uniting (NSW.ACT) + Wesley Mission NSW	$ 77.7	$ 80.1	$ 73.9	$ 79.2	$ 88.5	$ 97.6	$103.5		4.9%	26.6%	(21.7%)
11	11	Uniting AgeWell	$ 16.2	$ 19.0	$ 22.2	$ 39.7	$ 51.8	$ 71.3	$ 94.1		34.1%	26.6%	7.5%
12	10	Baptcare	$ 42.1	$ 44.2	$ 45.7	$ 54.0	$ 62.4	$ 71.5	$ 92.4		14.0%	26.6%	(12.6%)
13	12	Anglicare Southern Queensland	$ 20.0	$ 36.2	$ 41.0	$ 50.0	$ 65.1	$ 62.2	$ 81.7		26.5%	26.6%	(0.1)%
14	25	Caring Group (part-franchise)	$ 0.0	$ 1.1	$ 2.7	$ 6.8	$ 15.4	$ 35.4	$ 79.6		568.7%	26.6%	542.1%
15	15	Resthaven	$ 20.4	$ 25.6	$ 28.3	$ 36.4	$ 42.1	$ 58.0	$ 76.3		24.5%	26.6%	(2.1%)
16	20	Right at Home	$ 0.2	$ 3.8	$ 10.2	$ 19.8	$ 28.8	$ 44.3	$ 72.6		180.1%	26.6%	153.5%
17	16	KinCare	$ 51.1	$ 54.8	$ 51.4	$ 56.6	$ 56.7	$ 54.5	$ 68.0		4.9%	26.6%	(21.7%)
18	13	OzCare	$ 41.2	$ 48.1	$ 46.2	$ 51.2	$ 57.4	$ 60.9	$ 67.2		8.5%	26.6%	(18.1%)
19	23	Five Good Friends	$ -	$ 1.1	$ 6.1	$ 14.1	$ 20.2	$ 35.9	$ 64.8		124.0%	26.6%	97.4%
	14	Mercy Health	$ 8.1	$ 10.9	$ 45.6	$ 52.2	$ 57.0	$ 58.5	$ 63.2		40.9%	26.6%	14.3%
21	27	ECH	$ 17.3	$ 20.0	$ 19.6	$ 23.2	$ 25.7	$ 35.2	$ 59.5		22.8%	26.6%	(3.8%)
22	17	Integratedliving Australia	$ 28.1	$ 35.7	$ 41.3	$ 52.6	$ 55.8	$ 54.2	$ 59.4		13.3%	26.6%	(13.3%)
23	22	Catholic Healthcare	$ 25.1	$ 30.1	$ 33.0	$ 37.4	$ 39.9	$ 42.2	$ 55.8		14.3%	26.6%	(12.3%)
24	18	Calvary	$ 21.7	$ 29.3	$ 33.1	$ 37.3	$ 45.3	$ 51.4	$ 55.2		16.8%	26.6%	(9.8%)
25	19	Care Connect	$ 21.5	$ 27.9	$ 31.8	$ 40.2	$ 45.6	$ 47.6	$ 50.6		15.3%	26.6%	(11.3%)
		Remainder of providers	$1,013.6	$1,320.2	$1,515.7	$2,073.4	$2,477.5	$3,039.5	$4,115.1		26.3%	26.6%	(0.3%)
		Total	**$1,660.5**	**$2,157.3**	**$2,486.1**	**$3,334.3**	**$4,308.1**	**$5,114.6**	**$6,835.3**			**26.6%**	

Source: KPMG, 2024 (using data from GEN Aged Care)

Market growth

The number of people accessing an HCP in FY23 grew by 20% (42,631 people) from FY22. This is indicative of the broader trend seen over the past six years, with a compound annual growth rate (CAGR) of 23% from FY18 to FY23 (see Figure 2). This growth is driven by the additional HCPs released into the market in FY23 and is underscored by increasing demand driven by an ageing population and the growing preference of older Australians to 'age in place' – aligning with government policy to support older Australians to delay or avoid entry into residential aged care.

While the number of people accessing a package continues to rise, demand for HCPs remains greater than supply, with many older Australians experiencing delays between undergoing an assessment and receiving a package.

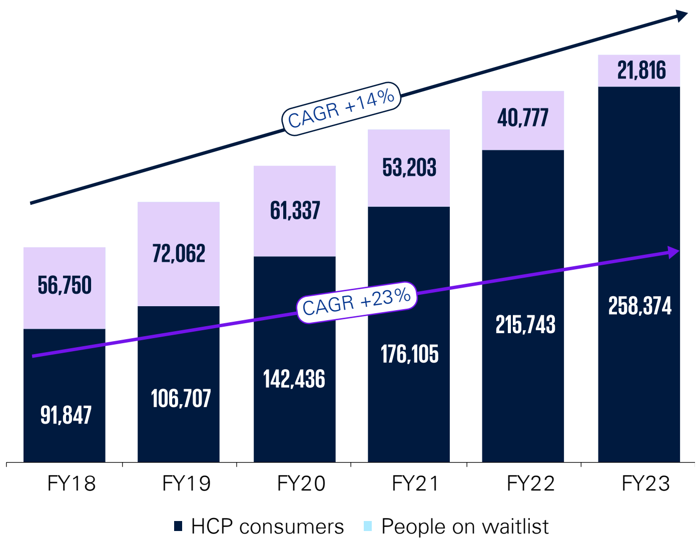
The impact of this lag is quantified by the number of people on the National Priority System waitlist, which has been declining in recent years as more packages are released into the market by the Australian Government. At 30 June 2023, 28,245 people were waiting for an HCP at their approved level – this is a 43% reduction over the previous 12 months from 49,717 people on the waitlist in 30 June 2022. Over the past six years, the waitlist has decreased at a negative CAGR of -17%.

The continued investment from the Australian Government in releasing new packages is depicted in Figure 3. Total government funding for the HCP program in FY23 was $6.84 billion, an increase of 34% from FY22. This increase in investment further continues the trend seen over the past six years, with a CAGR of 26% from FY18 and FY23.

20%

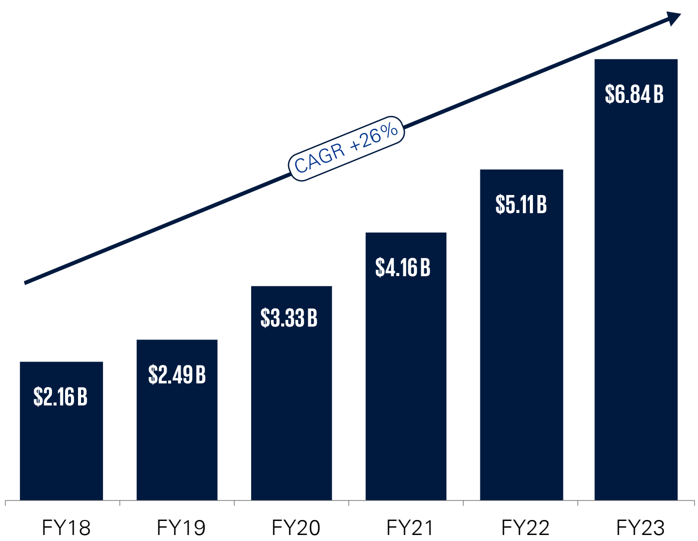
INCREASE IN PEOPLE ACCESSING AN HCP IN FY23 FROM FY22

FIGURE 2: NUMBER OF HOME CARE RECIPIENTS + WAITLIST, FY18 – FY23



Source: KPMG, 2024 (using data from GEN Aged Care)

FIGURE 3: GOVERNMENT FUNDING FOR HCP, FY18 – FY23

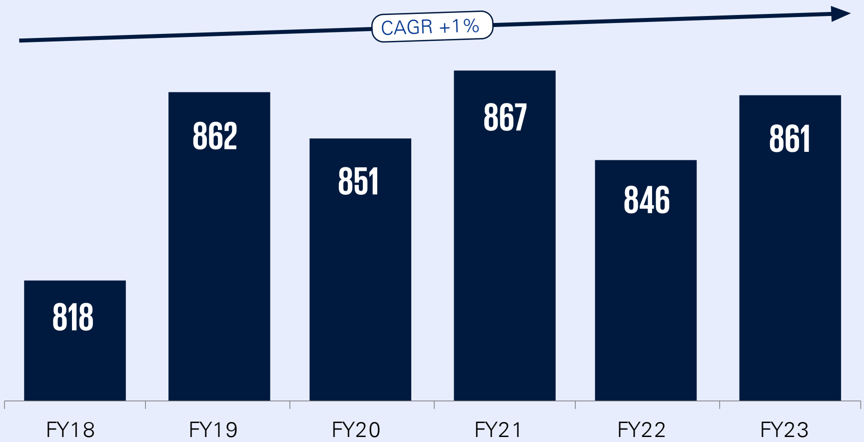


Source: KPMG, 2024 (using data from GEN Aged Care)

In addition to the overall growth seen in the HCP market, the sector has seen:

- Fluctuations in the number of providers over the past six years, with an overall CAGR of 1% as shown in Figure 4.[12] It is anticipated the number of providers may decline with the introduction of the new Support at Home program in 2025, with merger and acquisition activity within the sector expected to rise.
- Growth in the average number of consumers per provider. Figure 5 depicts growth over FY18 to FY23, which is equivalent to a 22% CAGR.[13] This growth is driven by the increase of supply into the market as well as a relative stagnation in the number of providers.
- Growth in the average government funding per provider. As shown by Figure 6, from FY18 to FY23, the average government funding received per provider has grown at a CAGR of 25%, with the average in FY23 reaching $7.94 million. This trend aligns with the growth in packages released into the market, overall government funding for the HCP program and the average number of older Australians receiving services per provider.

FIGURE 4: NUMBER OF HCP PROVIDERS

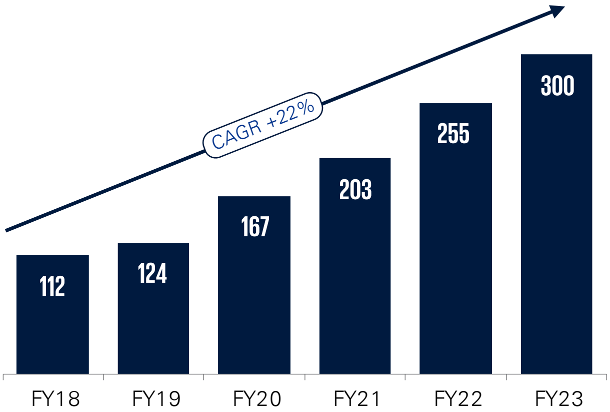


Source: KPMG, 2024 (using data from GEN Aged Care)

25%

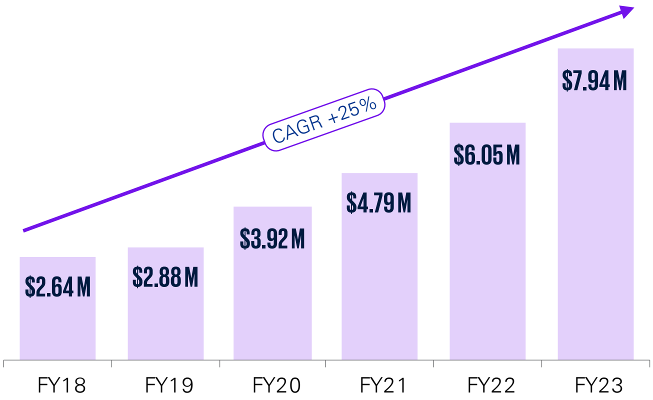
FY18–FY23: average government funding received per provider has grown at a CAGR OF 25%

FIGURE 5: AVERAGE NUMBER OF OLDER AUSTRALIANS RECEIVING HCPS PER PROVIDER, FY18 – FY23



Source: KPMG, 2024 (using data from GEN Aged Care)

FIGURE 6: AVERAGE GOVERNMENT FUNDING PER HOME CARE PROVIDER, FY18 – FY23



Source: KPMG, 2024 (using data from GEN Aged Care)

Acquisition and consolidation

The home care market continues to evolve and adapt in response to changing market dynamics with acquisitions, mergers and consolidation seen across the market.

Last year, we reported that BaptistCare NSW & ACT and Baptistcare WA had agreed to merge, with the combination of these two entities servicing over 9,000 home care clients.

This merger went ahead in FY23, with $15.9 million of government funding allocated to BaptistCare NSW, ACT and WA services that were previously operated by Baptistcare WA.[14]

In February 2024, the significant news that Australian Unity had entered into an agreement to acquire myHomecare Group was announced. This sees the merging of the two largest home care providers, with the acquisition anticipated to take Australian Unity's market share from 4% to 9%. The merged businesses will serve more than 50,000 and employ over 6,000 people.[15]

As the transaction was announced in FY24, Australian Unity and myHomecare Group are reported as separate entities in this report.

New market entrants

Through our analysis, we have identified 38 new entrants to the market in FY23.[16] Table 2 highlights the top 10 new entrants to the market in FY23, by government funding. They represent a mix of for-profit and not-for-profit organisations.

Several of the new entrants were NDIS providers that have expanded into in-home aged care under the HCP program. The two top new entrants are PlanCare and 101 Home Care, receiving over $2 million each in government funding in FY23.

Both providers offer a self-managed option, which is becoming increasingly attractive to older Australians.

TABLE 2: TOP 10 NEW ENTRANTS TO THE HCP MARKET IN FY23, BASED ON GOVERNMENT FUNDING

NEW ENTRANT	FY22 FUNDING	GROWTH INSIGHTS
PlanCare	$ 2,855,976	An existing NDIS provider that has expanded into in-home aged care under the HCP program. The WA based for-profit provider operates a self-managed HCP model.[17]
101 Home Care	$ 2,111,167	A for-profit provider offering managed and self-managed options for HCPs.[18]
Coast Community Connections	$ 1,780,066	A not-for-profit provider based on the NSW Central Coast offering a range of services including childcare, NDIS support coordination, Commonwealth Home Support Programme, privately funded in-home aged care services and HCPs.[19]
Sunrise Home Care	$ 1,428,307	A for-profit provider, established by the directors of Sunrise Supported Living, a supported living retirement village. They offer privately funded in-home aged care services and HCPs.[20]
MS PLUS	$ 1,274,831	A not-for-profit provider supporting people living with neurological conditions including Multiple Sclerosis. MS PLUS acquired Care for You at Home, an approved provider for home care, broadening its provision of services to people aged over 65.[21]
SA Disability Care	$ 886,094	A for-profit NDIS provider that has recently expanded into HCPs.[22]
New Care Services	$ 843,001	A Victorian based not-for-profit HCP and NDIS provider. They also offer privately funded in-home aged care services.[23]
BKV Aged Care Pty Ltd (owner of Boost Care and Rosewood Gardens)	$698,373	A for-profit company operating Boost Care and Rosewood Gardens. BKV offer a range of services including residential aged care, NDIS supports and HCPs.[24]
Enhance Supports and Services	$653,511	A for-profit provider offering a range of services in the greater regions of Sydney under the NDIS and HCPs as well as private services.[25]
Alicaring Community	$550,301	A for-profit HCP provider also offering privately funded in-home aged care services.[26]

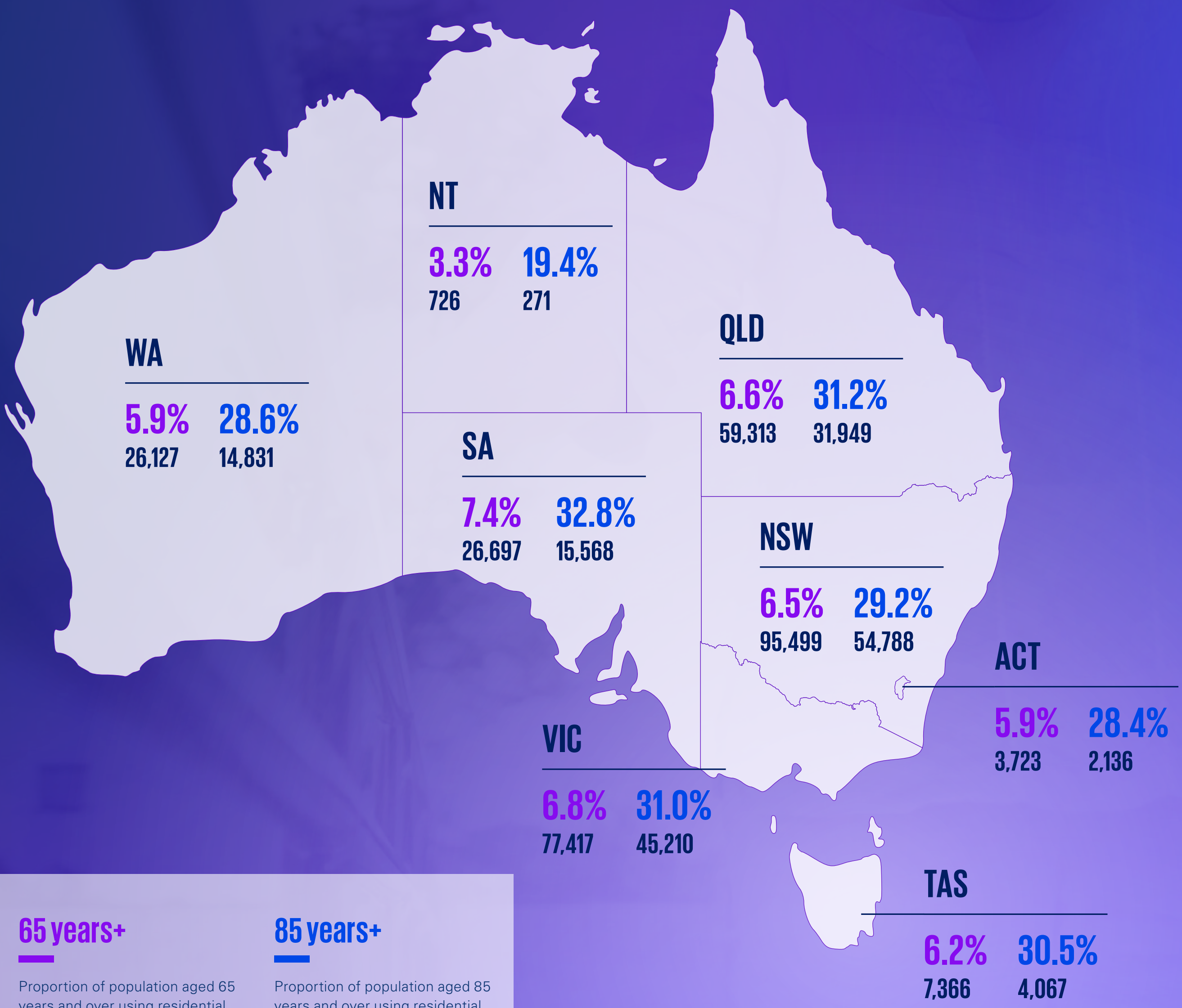
Residential aged care

At 30 June 2023, 190,683 people were accessing residential aged care services, including 185,127 permanent residents – an increase of 2.4% since 30 June 2022. The proportion of Australians aged 65 years and older and accessing residential aged care services was 6.5% during FY23. This was a slight increase from 6.2% in FY22. 30.2% of the population aged 85 years and older accessed residential care during both FY22 and FY23.

The proportion of older Australians using residential aged care services differs across the country. In FY23, South Australia had the highest proportion of the population aged 65 years and over using residential aged care (7.4%), while the Northern Territory had the lowest (3.3%).[27]

This trend remains when considering those aged 85 years and over, with South Australia having the highest proportion of people using residential aged care (32.8%) and the Northern Territory having the lowest (19.4%).[28]

FIGURE 7: PROPORTION OF POPULATION AGED 65 YEARS AND OVER USING RESIDENTIAL AGED CARE DURING FY23 BY STATE AND TERRITORY



65 years+

Proportion of population aged 65 years and over using residential aged care during FY23

Number of Australians aged 65 years and over using residential aged care during FY23

85 years+

Proportion of population aged 85 years and over using residential aged care during FY23

Number of Australians aged 85 years and over using residential aged care during FY23

Provider landscape

There are currently 663 providers delivering Commonwealth funded residential aged care in Australia, a 5.2% decrease in providers in the market since FY22.[29] The number of facilities operated by these providers also decreased in FY23, from 2,641 at 30 June 2022 to 2,617 at 30 June 2023 (a reduction of 24 facilities or 0.9%). While the number of providers and facilities decreased, the number of operational places in the market slightly increased (0.7% increase year-on-year), as did the number of unoccupied operational places (1.4% increase year on year).

2022	% change FY22 – FY23	2023
180,750 Permanent residential care residents at 30 June	+2.4%	185,127 Permanent residential care residents at 30 June
699 Providers	-5.2%	663 Providers
2,641 Facilities	-0.9%	2,617 Facilities
219,965 Operational places	+0.7%	221,467 Operational places
30,355 Unoccupied operational places	+1.4%	30,784 Unoccupied operational places

Similar to home care, the residential aged care market can be separated into three provider categories: not for profit, for profit and state and local government providers.

Not-for-profit providers

At 30 June 2023, there were 414 not-for-profit providers operating facilities with over 120,000 residential aged care places, representing 56% of the market. The not-for-profit segment is made up of community-based and religious providers that tend to deliver services across a broader geographic region than the for-profit providers, with 41% of not-for-profit homes located outside of metropolitan areas, compared to only 19% of homes of for-profit providers. The proportion of not-for-profit homes located outside of metropolitan areas has been steady over time, with small fluctuations between 41% and 43% across FY15 and FY23. Of the 413 not-for-profit providers, 64% operate only one residential aged care home.[30]

For-profit providers

At 30 June 2023, there were 167 for-profit providers operating facilities with almost 90,000 residential aged care places, accounting for 40% of the market. The for-profit providers are comprised of a diverse range of private legal entity structures, including two publicly listed companies (Estia Health[31] and Regis Healthcare) and one Australian member owned (mutual) company (Australian Unity). For-profit providers largely operate in metropolitan locations, with over 73,000 residential aged care places and over 81% of homes located in major cities.[32]

State and local government

There were 84 government providers at June 2023, operating over 8,000 residential aged care places. Of these providers, 62 were based in Victoria (operating over 5,000 residential aged care places) and representing almost three quarters of government residential aged care providers nationally (74%).[33]

Based on the number of operational places, the government segment has remained steady at 4% of the market across FY17 to FY23. This segment is comprised of a mixture of local government (0.4% of the market) and state or territory government providers (3.2% of the market). Government services tend to operate in 'thin markets', and are therefore typically located outside metropolitan areas, with only 12% of government operated homes (over 1,500 residential aged care places) located in major cities.[34]

4%

GOVERNMENT MARKET SHARE OF RESIDENTIAL AGED CARE ACROSS FY17 TO FY23

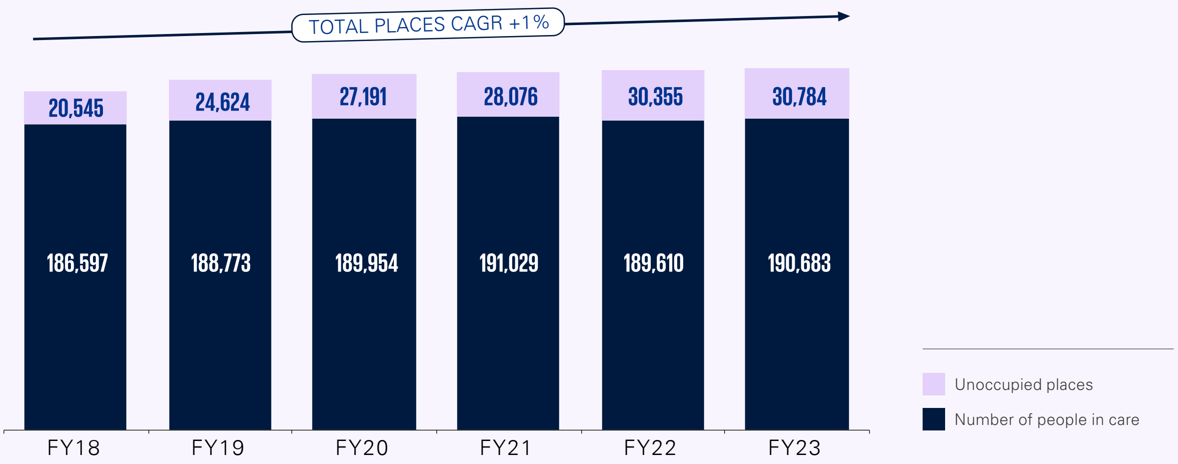
How is the government-funded residential aged care market changing?

While the number of permanent residents in residential aged care has increased in the last year, overall demand has softened over the past five years, resulting in lower occupancy levels across the sector. Some providers continue to experience strong demand however, particularly in metropolitan locations and in homes that have single rooms and ensuites. Financial performance is starting to improve across the sector, after many years of challenges.

Occupancy levels

Occupancy levels, which can have a significant impact on the overall viability of residential aged care providers, have been in decline over the past five years, falling from a sector average of 90% in June 2018 to 86% in June 2023.[35] As shown in Figure 8, the total number of people in residential care has increased over the past five years from 186,597 in 2018 to 190,683 in 2023 (CAGR of 0.36%).[36] Meanwhile, over the same period, the total number of operational places available across the sector increased at a faster rate, from 207,142 places in 2018 to 221,467 in 2023 (CAGR of 1.12%). This has led to a higher number of unoccupied places across the sector and lower occupancy for providers.

FIGURE 8: TOTAL OCCUPIED AND UNOCCUPIED RESIDENTIAL AGED CARE PLACES 2018–2023



Source: KPMG, 2024 (using data from GEN Aged Care)

The decline in occupancy rates in the past five years is reflective of an overall softening in demand for residential aged care, which can be attributed to factors including:

- **The COVID-19 pandemic:** There has been some hesitancy from older Australians to enter residential aged care following the significant negative media attention the sector received during the pandemic. It is expected that this impact on occupancy levels will stabilise in the next 6–12 months.
- **Shifting preferences of older Australians:** Older Australians are preferring to remain living at home for longer, with many people moving into residential aged care at an older age or not at all. It is anticipated this trend will lead to an increase in demand for specialist care, as the number of older Australians entering residential aged care with more complex care requirements increases. Preferences of older Australians have also shifted in terms of preferred amenities and room types, with growing preferences for single occupancy rooms and private ensuites. This trend presents a challenge for providers with older built form facilities that have a higher number of shared rooms and ensuites.
- **Government policy:** Government policies are shifting to support more people to age in place, therefore delaying or avoiding entry into residential aged care. This trend is expected to continue, particularly with the introduction of the Support at Home program from 2025.

However, current supply and demand projections indicate that there will likely be a significant undersupply of operational places in the market in the near future. Notwithstanding the above factors, future demand forecasts for residential aged care remain compelling, with Australia's population aged 85 and over expected to grow at an average annual growth rate of 3.5% to 2026 – more than three times higher than Australia's overall population growth rate.[37]

Concurrently, the supply of new operational places into the market is forecast to slow, with minimal new supply anticipated in the next three to five years. Only a small number of providers are currently undertaking new builds, with the slowdown in construction likely attributed to the increased cost of development due to inflationary pressures as well as increased compliance requirements.[38]

Financial performance across the sector

Financial performance has improved across the sector in the past 12 months, with 49% of residential aged care providers reporting a year-to-date net profit before tax at June 2023. This is a significant improvement on FY22, where it was reported that 64% of providers were operating at a net loss.[39]

Overall, there has been:

- 7% growth in government expenditure over past two years, increasing from $14 billion in expenditure in FY21 to $15.9 billion in FY23.[40]
- Increasing funding received through the introduction of the Australian National Aged Care Classification (AN-ACC) model. At 30 June 2023, the average per occupied bed day (OBD) funding was $227.34, representing a significant increase from the $192.67 average under the former Aged Care Funding Instrument (ACFI) model.[41]
- Increasing labour costs, partly due to the care minute targets and changes to minimum wages[42] for care workers, with the most significant driver of increased labour costs being registered nurses.[43]

Top 25 market players in residential aged care

The top 25 providers in the residential aged care market for FY23 are outlined in Table 3. Based on the number of operational places, Opal remains the largest residential aged care provider in Australia, with an 11% increase in operational places from FY22 to FY23 and a CAGR of 6% from FY17 to FY23. Opal's continued growth in FY23 can be attributed to the acquisition of six additional facilities (638 operational places) as well as the opening of two new facilities (284 operational places).

Following the acquisitions of Allity, Acacia Living Group and McKenzie, Bolton Clarke are now the second largest provider, ahead of Regis who have moved down to 3rd place and Estia Health in 4th place. Due to their acquisitions, Bolton Clarke has experienced significant growth in the past two years, gaining 4,174 operational places in FY22 and an additional 2,156 operational places in FY23.

Another change of note includes not-for-profit provider IRT's move up the rankings from number 23 in FY22 to number 19 in FY23. This growth can be attributed to their acquisition of two facilities from Marco Polo Aged Care Services which saw them gain 335 operational places.

Infinite Care is the only new entrant into the top 25 for FY23, rising from number 30 in FY22 to number 23 in FY23. Infinite Care's growth is attributed to acquisitions of three facilities resulting in an additional 352 operational places. Also of note is BaptistCare NSW & ACT that has risen from number 22 in FY22 to number 11 in FY23, due to the merger of BaptistCare NSW & ACT and Baptistcare WA.

While there has been notable growth for some providers in the top 25 in FY23, others experienced reductions in their overall number of operational places. Six providers within the top 25 had a net loss of operational places in FY23, primarily due to decommissioning homes rather than reducing the capacity of their homes. Across these six providers, there was a collective decrease of 471 operational places from FY22, representing 2 per cent of the total number of beds operated by these providers in FY22.

TABLE 3: 25 LARGEST RESIDENTIAL AGED CARE PROVIDERS BY OPERATIONAL PLACES IN FY23

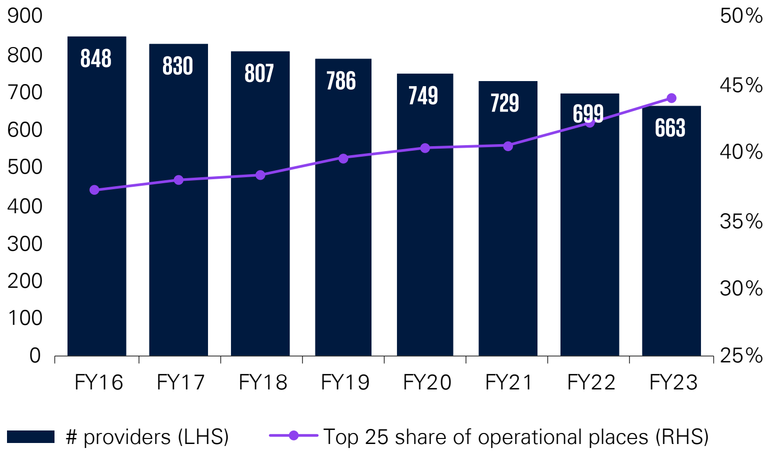
FY23 RANK	FY22 RANK	PROVIDER	OPERATIONAL PLACES							SPARKLINES	COMPOUND ANNUAL GROWTH		
			FY17	FY18	FY19	FY20	FY21	FY22	FY23		BY PROVIDER	TOTAL INDUSTRY	VARIANCE
1	1	Opal	6,521	6,832	7,262	7,525	8,002	8,575	9,487		6.4%	1.7%	4.7%
2	3	Bolton Clarke[44]	2,307	2,517	2,510	2,511	2,511	6,685	8,841		25.1%	1.7%	23.4%
3	2	Regis	6,108	6,784	7,241	7,424	7,338	7,338	7,266		2.9%	1.7%	1.2%
4	4	Estia	5,975	6,094	6,142	6,267	6,376	6,262	6,852		2.3%	1.7%	0.6%
5	5	Bupa	7,302	7,406	7,363	7,363	6,586	6,219	6,219		(2.6%)	1.7%	(4.3%)
6	6	Uniting (NSW.ACT) + Wesley Mission NSW	5,785	5,715	5,605	5,594	5,613	6,037	6,037		0.7%	1.7%	(1.0%)
7	7	Calvary	1,011	1,011	1,214	1,214	1,215	5,880	5,765		33.7%	1.7%	32.0%
8	8	Blue Care + Wesley Mission QLD + ARRCS	4,874	4,866	4,895	4,895	4,895	4,895	4,852		(0.1)%	1.7%	(1.8%)
9	9	Arcare	2,856	3,325	3,666	3,883	4,289	4,551	4,814		10.1%	1.7%	8.4%
10	10	Catholic Healthcare	2,405	2,514	2,668	2,900	3,014	3,088	3,088		4.3%	1.7%	2.6%
11	22	BaptistCare NSW, ACT & WA	1,800	1,811	1,807	1,941	1,946	1,946	3,056		9.2%	1.7%	7.5%
12	11	BlueCross[45]	1,975	1,979	2,152	3,013	2,887	2,887	2,840		6.2%	1.7%	4.5%
13	12	Aegis	2,119	2,199	2,224	2,347	2,677	2,677	2,677		4.0%	1.7%	2.3%
14	13	St Vincent's Care Services	1,341	1,361	1,661	2,073	2,073	2,598	2,598		11.7%	1.7%	10.0%
15	16	Anglicare (Sydney)	2,187	2,187	2,364	2,364	2,492	2,440	2,469		2.0%	1.7%	0.3%
16	15	Mercy Health	1,631	1,631	2,701	2,701	2,664	2,485	2,401		6.7%	1.7%	5.0%
17	14	RSL LifeCare	2,149	2,207	2,381	2,439	2,519	2,491	2,356		1.5%	1.7%	(0.2%)
18	18	Hall & Prior	1,060	1,266	1,350	1,788	1,789	2,084	2,247		13.3%	1.7%	11.6%
19	23	IRT	1,744	1,744	2,000	2,000	1,960	1,842	2,114		3.3%	1.7%	1.6%
20	19	OzCare	1,326	1,476	1,630	1,630	2,057	2,057	2,105		8.0%	1.7%	6.3%
21	20	Churches of Christ in Queensland	1,801	1,891	2,105	2,145	2,134	1,992	1,994		1.7%	1.7%	0.0%
22	24	TLC Aged Care	1,221	1,221	1,464	1,604	1,724	1,779	1,926		7.9%	1.7%	6.2%
23	30	Infinite Care	388	538	682	1,378	1,378	1,619	1,909		30.4%	1.7%	28.7%
24	21	The Whiddon Group	1,535	1,671	1,671	1,941	1,963	1,955	1,896		3.6%	1.7%	1.9%
25	25	Thompson Health Care	1,099	1,143	1,143	1,220	1,327	1,737	1,742		8.0%	1.7%	6.3%
		Remainder of providers	132,517	136,101	137,844	137,333	138,024	128,194	124,264		(1.1%)	1.7%	(2.8%)
		Total	**200,689**	**207,142**	**213,397**	**217,145**	**219,105**	**219,965**	**221,467**			**1.7%**	

Top 25 providers' market share

In FY23, the top 25 residential aged care providers operated 44% of total operational places, an increase from 42% in FY22. The share of operational places run by the top 25 providers has continued to increase since FY16 and is reflective of the overall decrease of providers in the market, driven by significant merger and acquisition activity. This trend is the opposite of what is observed in the HCP market where there has been an increase in the total number of providers and a decrease in market share for the top 25 providers over the same seven-year period.

Figure 9 shows the number of providers in the residential aged care market from FY16 to FY23, as well as an estimate of the market share of the top 25 providers, based on the share of residential operational places.

FIGURE 9: NUMBER OF PROVIDERS (LEFT-HAND SIDE) AND SHARE OF TOTAL OPERATIONAL PLACES OPERATED BY THE TOP 25 PROVIDERS (RIGHT-HAND SIDE)

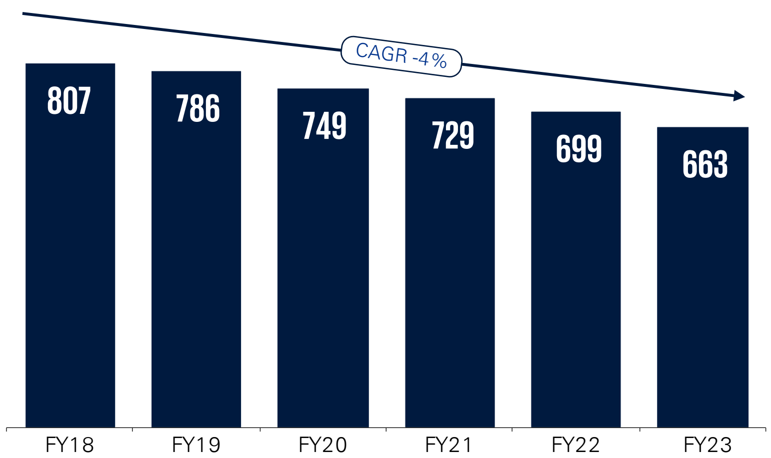


Source: KPMG, 2024 (using data from GEN Aged Care)

Market growth

As depicted in Figure 10, the number of providers in the residential aged care market has continued to decline. Thirty-six providers exited the market in FY23, representing a 5.2% decrease from FY22 and a negative CAGR of -3.9% over the past six years.[46] This reduction can be attributed to continued consolidation within the market, driven by ongoing viability pressures and the impact of regulatory reforms. It is anticipated the number of residential aged care providers will continue to decline in coming years.

FIGURE 10: NUMBER OF RESIDENTIAL AGED CARE PROVIDERS



Source: KPMG, 2024 (using data from GEN Aged Care)

36

RESIDENTIAL AGED CARE PROVIDERS EXITED THE MARKET IN FY23

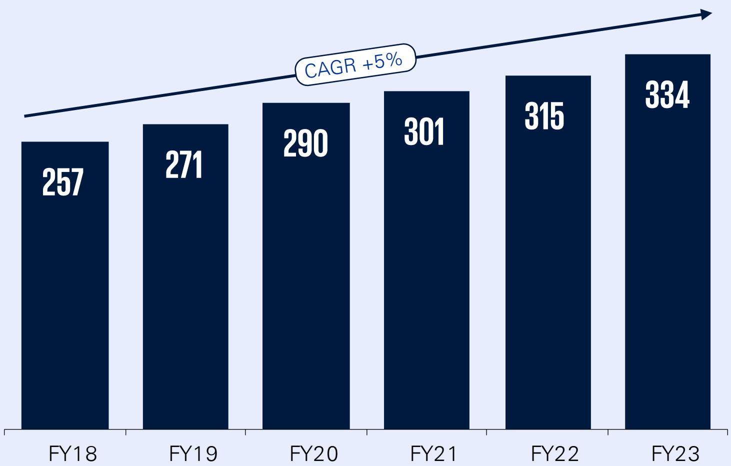
Meanwhile, the number of people in residential aged care and the overall number of operational places continues to rise. As shown in Figure 11, the average number of operational places per provider has grown from 315 places in FY22 to 334 places in FY23, with a CAGR of 5.4% over the past six years.

This growth is driven by:

- The overall increase in the number of operational places across the sector.
- Market consolidation as providers continue to exit the market.
- Provider growth to gain efficiencies through economies of scale.

There was an average of 536 operational places per for-profit residential aged care provider in FY23, representing a strong increase of 16% from FY22 (average of 463 places). The average number of operational places per not-for-profit provider remained steady at 299 in FY23 (0.4% increase from FY22), and government providers were comparably smaller with 97 places per provider on average (2.6% increase from FY22).

FIGURE 11: AVERAGE NUMBER OF RESIDENTIAL AGED CARE OPERATIONAL PLACES PER PROVIDER FROM 2018-2023



Source: KPMG, 2024 (using data from GEN Aged Care)

16%

INCREASE ON AVERAGE OPERATIONAL PLACES PER FOR-PROFIT RESIDENTIAL AGED CARE PROVIDER IN FY23

Acquisition and consolidation

There continue to be mergers, acquisitions and consolidation in the residential aged care market. Of particular note in FY23 was Bolton Clarke's acquisition of McKenzie Aged Care, announced in February 2023. This acquisition saw Bolton Clarke gain 2,155 operational places across nine residential aged care facilities, in addition to two retirement villages and the management rights for an additional eight homes.[47]

Other noteworthy merger and acquisition activity during FY23 included:

- **BaptistCare NSW & ACT** merged with **Baptistcare WA** in March 2023, gaining 858 operational places across 13 facilities.

  BaptistCare NSW & ACT also acquired four other facilities from **Tulich Family Communities: Blue Hills Manor** (67 operational places), **Durham Green Lodge Memory Care** (104 operational places) and **Kintyre Lodge** (80 operational places).
- **Hall & Prior**, a family-owned aged care provider operating 36 residential aged care homes across WA and NSW, acquired two additional WA facilities: **Emerald Life** (93 operational places) and **Villa Dalmacia** (70 operational places).
- Not-for-profit provider **IRT Group** acquired two facilities from **Marco Polo Aged Care Services**, gaining 335 operational places.
- Not-for-profit provider **OzCare** acquired standalone community-owned **Sarina Aged Care** (48 operational places) in Central Queensland.
- **Infinite Care** acquired three facilities from **Retreat Care**, gaining 352 operational places and expanding the provider's presence in Southeast Queensland.[48]

New market entrants

Through our analysis, we identified a number of new entrants to the residential aged care market in FY23. They consisted of a range of organisations, including home care providers that have now expanded into residential care, new entrants that have acquired existing providers and new organisations formed through the amalgamation of two or more existing residential aged care providers.

TABLE 4: NEW PROVIDERS IN THE RESIDENTIAL AGED CARE MARKET

NEW PROVIDER	OPERATIONAL PLACES FY23	INSIGHTS
Alino Living Limited	291	Central Coast Community Care Association (CCCCA), Adelene and Vietnam Veterans Keith Payne VC Hostel merged to become one organisation, Alino Living. Alino Living is now the largest independent not-for-profit aged care provider on the NSW Central Coast.[49]
Dhelkaya Health	181	Castlemaine Health, Maldon Hospital and CHIRP Community Health merged to create Dhelkaya Health, a new organisation that delivers a wide range of services including two residential aged care facilities.[50]
For Purpose Investment Partners	305	Not-for-profit social impact investment fund manager For Purpose Investment Partners announced its entrance into residential aged care in March 2023 by acquiring Luson Aged Care, a family-run provider with three facilities in Melbourne.[51]
Maiestas Care Pty Ltd	79	New player in the sector, Maiestas Care, purchased Warrina Aged Care (which was originally built as a Supported Residential Service facility) in March 2023 for $24 million.[52]
Oxa Care	120	Oxa Care is a new Melbourne based provider that purchased the facility Green Gables Private Hostel from existing provider Homestyle Aged Care in May 2023. Oxa Care moved the residents and staff from Homestyle's facility in Epping to a new, state-of-the-art facility.[53]
Bachrach Naumburger Group	116	Bachrach Naumburger Group, a privately owned property group, entered the residential aged care market in May 2023 by opening a new facility, The Shoreline, in Coffs Harbour, NSW.[54]
Sunnycare Residential	70	Sunnycare is a home care and NDIS provider based in Southeast Queensland. Sunnycare Residential is their first and only residential aged care facility and adopts the traditional Chinese concept of a 'quadrangle', also known as courtyards.[55]

Summary

Key findings

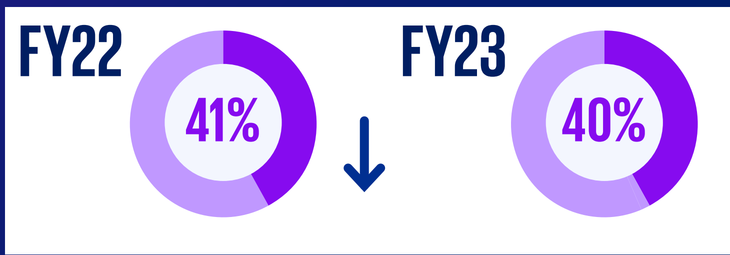
HOME CARE

The HCP market continued to experience significant growth in FY23, driven primarily by the additional number of packages released into the market and underscored by increasing demand from an ageing population and changing preferences of older Australians to remain living at home for longer.

THE TOP 25

HCP providers received 40% of total government funding paid to providers,

representing a small decrease from 41% in FY22 and further continues the downward trend seen since FY16. This trend is reflective of the overall increase in the number of providers in the market over the past seven years, with total funding now distributed across a larger range of providers.

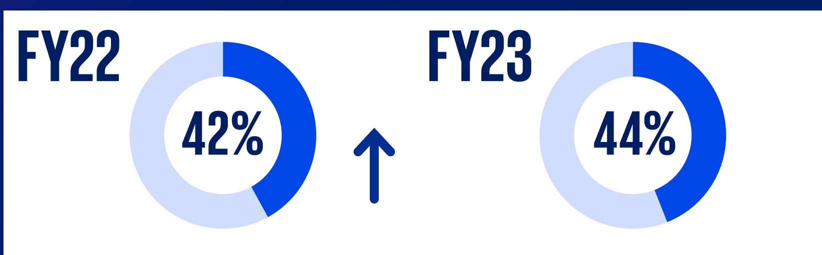


RESIDENTIAL AGED CARE

THE TOP 25

residential aged care providers operated 44% of the total operational places in the market in FY23, an increase from 42% in FY22.

This is reflective of the overall decrease in the number of providers in the market, driven by continued consolidation within the market due to ongoing viability pressures and the impact of regulatory reforms. It is anticipated that the number of residential aged care providers will continue to decline in the coming years.



In the residential aged care market, the overall number of providers and facilities decreased in FY23 while the number of permanent residents and operational places slightly increased. Concurrently, the number of unoccupied operational places also increased, resulting in lower occupancy levels across the sector.

Insights for the sector

HCP MARKET

While demand for home care services is projected to continue growing, workforce supply remains a constraint for providers. The use of alternative workforce models, such as online workforce marketplaces, to address short-term care needs and workforce shortages is anticipated to rise over the coming years, including when the Support at Home program is introduced in 2025.

The introduction of the Support at Home program from 2025 is likely to have a range of impacts on the current HCP market, including:

- the entry and exit of providers as regulation and funding models change
- lower barriers for entry for providers that only wish to deliver entry level services
- increased demand for specialised services, which may present opportunities for partnerships within the sector
- greater focus by existing providers who will rationalise their diversity of services.

RESIDENTIAL AGED CARE MARKET

Continued **consolidation** is anticipated within the residential aged care market, as **smaller providers continue to exit** due to increasing regulatory requirements and financial viability concerns, while larger providers seek opportunities to increase market share and gain efficiencies through **economies of scale**.

The decline in occupancy rates seen in the past five years is reflective of an overall **softening in the demand for residential aged care** due to a number of factors including COVID-19, government policy and changing preferences of older Australians. While **older Australians are preferring to stay at home for longer**, when considering residential aged care there is an increasing preference seen for **single occupancy** rooms and private ensuites. This trend presents a **challenge** for providers with older built form facilities that have a higher number of shared rooms and ensuites.

Overall **financial performance** across the sector is set to **improve**, with **increased funding** available through the AN-ACC model.

In order to remain competitive in the residential aged care sector, **acquiring beds and/or new facilities** will only be part of the answer for residential providers. It will be essential for organisations to **transform their businesses**, and ensure their transformation is supported **digitally** to ensure efficiency of practices and support **quality of care**.

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2 Aged care service list, Australian Institute of Health and Welfare, GEN Aged Care Data

3 Home care packages program data report, Australian Institute of Health and Welfare, GEN Aged Care Data

4 GEN Aged Care Data + KPMG analysis

5 In February 2024, Australian Unity announced that it had entered into an agreement to acquire myHomecare Group. This acquisition will result in the merging of the two largest home care providers, with the acquisition anticipated to take Australian Unity's market share from 4% to 9%. As the transaction was announced in FY24, Australian Unity and myHomecare Group are reported as separate entities in this report.

6 GEN Aged Care Data + KPMG analysis

7 Home care packages program data report, Australian Institute of Health and Welfare, GEN Aged Care Data

8 GEN Aged Care Data + KPMG analysis

9 Duty of Care: Aged Care Sector in Crisis, CEDA, 27 June 2022

10 Uniting NSW.ACT acquires online marketplace Find a Carer, Inside Ageing, 31 January 2024

11 In February 2024, Australian Unity announced it had entered into an agreement to acquire myHomecare Group. This acquisition would see the merging of the two largest home care providers, with the acquisition anticipated to take Australian Unity's market share from 4% to 9%. As the transaction was announced in FY24 and is subject to approval by the Australian Competition and Consumer Commission, Australian Unity and myHomecare Group are reported as separate entities in this report.

12 GEN Aged Care Data + KPMG analysis

13 Ibid.

14 Ibid.

15 Australian Unity agrees to buy myHomecare, Australian Unity, 21 February 2024

16 New entrants were identified as providers that received funding in FY23 but did not receive funding in FY22.

17 PlanCare

18 101 Home Care

19 Coast Community Connections

20 Sunrise Home Care

21 MS Plus

22 SA Disability Care

23 New Care Services

24 Rosewood Gardens

25 Enhance Supports and Services

26 Alicaring Community

27 GEN Aged Care Data + KPMG analysis

28 Ibid.

29 Ibid.

30 Ibid.

31 In December 2023, Estia Health delisted from the Australian Stock Exchange, with Regis Aged Care remaining as the sole publicly listed aged care provider. Estia were listed on the ASX for the data period reflected in this report.

32 GEN Aged Care Data + KPMG analysis

33 This analysis excludes Multi-Purpose Services.

34 GEN Aged Care Data + KPMG analysis

35 Quarterly financial snapshot of the Aged care sector – October to December 2022, Australian Institute of Health and Welfare, GEN Aged Care Data

36 The figure reported for the total number of people in residential care includes permanent residents and those receiving temporary, respite care.

37 CBRE 2024, Seniors Living Report [link not supplied]

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41 Ibid.

42 The minimum wage increase was fully funded by the Australian Government.

43 Quarterly financial snapshot of the Aged care sector – October to December 2022, Australian Institute of Health and Welfare, GEN Aged Care Data

44 Bolton Clarke encompasses brands including Allity, Acacia Living Group and McKenzie.

45 In March 2024, Opal announced that it had acquired BlueCross. As the transaction was announced in FY24, Opal and BlueCross are reported as separate entities in this report.

46 GEN Aged Care Data + KPMG analysis

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48 GEN Aged Care Data + KPMG analysis

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55 Sunnycare

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