Aged care market analysis 2023

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Our approach

Since 2017, KPMG has conducted in-depth analysis of the aged care market in Australia based on publicly available information. This year our analysis focuses on the top 25 providers by market share across home care and residential aged care.[1]

Market overview

The market continues to remain fragmented with 846 home care providers and 698 residential aged care providers, this is a 2.4 percent decrease in home care providers and a 4.3 percent decrease in residential aged care providers in the market since FY21. The decrease in the number of aged care providers can be attributed to consolidation in the market, as ongoing financial viability and increased regulatory burdens continue to remain a challenge.

There continues to be high levels of merger and acquisition activity in the market, particularly from providers who are seeking to improve their economies of scale and influence within the sector. Of interest is Calvary's acquisition of ASX-listed Japara and Bolton Clarke's multiple acquisitions, including Allity and McKenzie Aged Care and their merger with Acacia Living Group in Western Australia, making them the largest overall aged care provider in the country. Another merger worth noting, although falling outside this year's analysis period, is the merger of BaptistCare NSW & ACT and Baptistcare WA.[2]

[1] Analysis period is from 1 July 2021 to 30 June 2022.

[2] The merger of BaptistCare NSW & ACT and Baptistcare WA occurred outside of the analysis period, as did Bolton Clarke's acquisition of McKenzie Aged Care.

Home care services

Consumer demographics

As at December 2022, there were 235,599 people accessing a Home Care Package, a 19 percent increase from the same time in 2021. This growth in the number of people accessing Home Care Packages can be attributed to the increase in packages released into the market by the Australian Government. The increase in supply into the market has resulted in a reduction of people waiting for a Package at their approved level, with 37,894 people waiting for a Package at their approved level at December 2022, a decrease of 45 percent in 12 months.

Provider landscape

The Home Care Package market largely consists of three categories of providers, not-for-profit providers, for-profit providers and state and local government providers.

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 June 2022, there were 464 not-for-profit providers, accounting for 55 percent of the market.

For-profit providers

At June 2022, there were 282 for-profit providers, accounting for 33 percent of the market. The two largest overall home care providers by market share are both for-profit providers: myHomecare Group, a private company; and Australian Unity, a member owned (mutual) company.

State and local government

The government segment, made up of local and state government providers, accounts for 12 percent of the market. Government services tend to be delivered in regional, rural or remote locations, or 'thin markets' where there is little supply, with government being a provider of last resort.[3]

How is the Home Care Package market changing?

FY22 marked another year of significant growth in the Home Care Package market, due to the increased number of packages released by the Australian Government, in order to reduce the time for older people to wait for a package. The growth in the total number of people accessing a Home Care Package is reflected in the increased government funding, which increased by 23 percent between FY21 and FY22. Part of the difference between growth in consumers versus growth in funding can be attributed to the change in mix of Home Care Package levels, with more consumers now accessing level 3 and 4 packages (54.4 percent at December 2022 compared to 45.6 percent at December 2021).

This growth in supply is against a backdrop of a very tight labour market and increasing competition amongst providers to attract and retain home care workforce. Some providers are not able to meet the demand for Home Care Packages due to the tight labour market. However, some providers are responding to this through the use of alternative employment models (e.g. contractor workforce), shifting from casual to permanent workforce, refining their employee value proposition or offering more attractive salaries and other employee benefits. In addition to this, some providers are acquiring other businesses, not only to increase their client base, but also their workforce.

There was a net decrease in the number of providers in FY22, falling from 867 in FY21 to 846 in FY22. This net change of 21 providers is made up of 19 new providers, but 40 providers have exited from the sector. Notably, government providers made up the largest percentage decrease between FY21 and FY22 (7 percent, compared to 2 percent for both for-profit and not-for-profit providers). This change relates to local government providers, with exits seen in New South Wales, the Northern Territory, Queensland and Western Australia. There has been recent news of some Victorian local government providers deciding not to continue delivering home care services (although predominantly Commonwealth Home Support Programme as opposed to Home Care Package), indicating further consolidation is likely to be seen when FY23 statistics are available. This applies across the overall market as providers assess their ability to adapt to upcoming reforms.

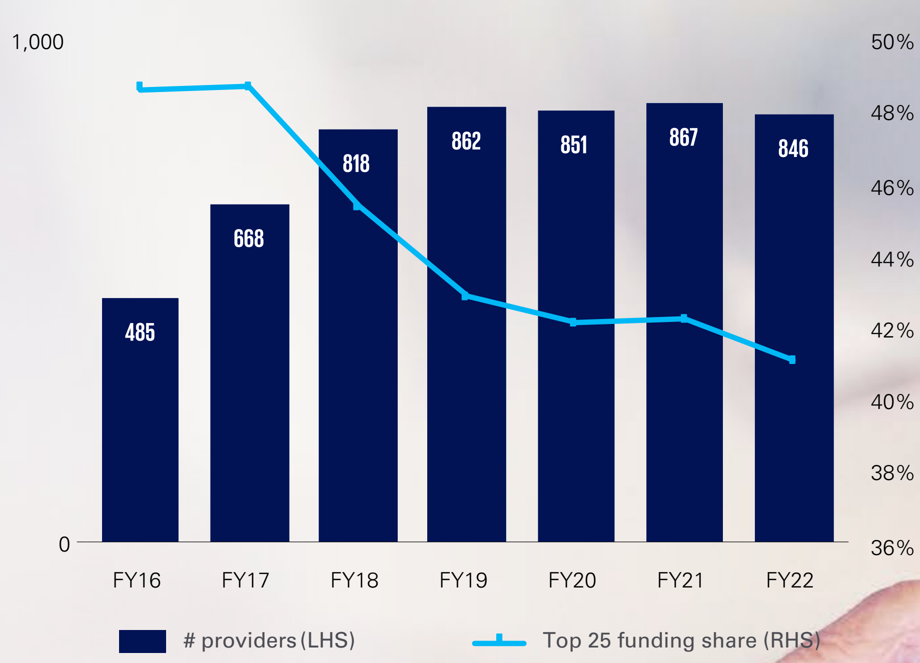
The introduction of a new single in-home aged care program (replacing Home Care Packages, Commonwealth Home Support Programme and Short-Term Restorative Care) is proposed for July 2025.

[3] Thin markets can be defined as an area where only a small number of providers exists; thin markets are usually in rural and remote locations. A lack of market can hinder efforts to improve market competition and provide little or no consumer choice.

Top 25 market players in Home Care Packages

In FY22, the top 25 home care providers received 41 percent of total government funding paid to providers. This is a decrease from 49 percent in FY16 and 42 percent in FY21. This decrease reflects the fact that there has been an increase in the total number of providers in the market over the FY16 to FY22 timeframe, meaning total funding is distributed across a wider range. This trend of provider growth has stabilised in the past four years; however, competition levels remain high. Figure 1 illustrates these trends, showing the number of providers in the Home Care Package market from FY16 to FY22, 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



In terms of geographical reach, over the past 12 months, the top 25 providers tend to be operating across more states and territories. Figure 2 shows that in FY22, 40 percent of the top 25 providers provided services in four or more states or territories, whilst in FY21, this number was only 32 percent. Religious providers tend to operate across only one or two states, aligned to state, diocese or equivalent operating regions as designated by their relevant faith. Conversely, all private providers in the top 25 operate across at least three different states or territories, with the largest provider operating across all states and territories.

Figure 3 shows that the proportion of private providers in the top 25 has increased from 20 percent in FY21 to 28 percent in FY22. Five Good Friends and the Caring Group (which includes brands Dementia Caring, HomeCaring and Premier Care) are the two new private provider entrants in FY22 within the top 25.

FIGURE 2: NUMBER OF STATES/TERRITORIES OF OPERATION

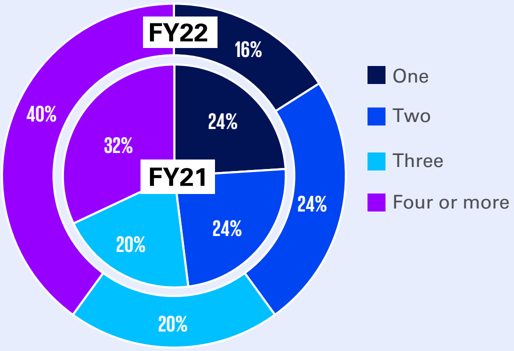


FIGURE 3: PROVIDERS BY ORGANISATION TYPE

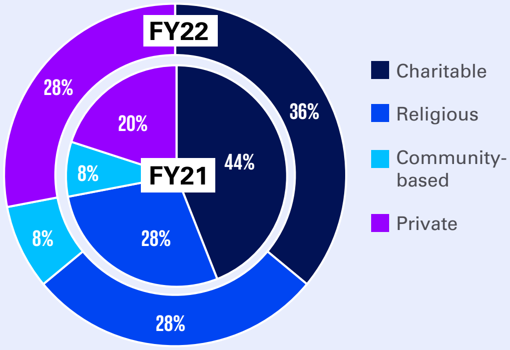


Table 1 details the top 25 Home Care Package providers for FY22. Compared to FY21, Five Good Friends and Caring Group are new entrants, with Villa Maria Catholic Homes and Annecto dropping to 28th and 33rd positions respectively (from 22nd and 24th positions respectively in FY21).

TABLE 1: 25 LARGEST HOME CARE PACKAGE PROVIDERS

FY22 RANK	FY21 RANK	PROVIDER	GOVERNMENT FUNDING ($M)							SPARKLINES	COMPOUND ANNUAL GROWTH		
			FY16	FY17	FY18	FY19	FY20	FY21	FY22		BY PROVIDER	TOTAL INDUSTRY	VARIANCE
1	1	MyHomecare Group	$26.2	$29.5	$25.7	$30.3	$51.0	$228.3	$316.8		51%	25%	26%
2	2	Australian Unity	$11.3	$16.6	$47.5	$73.3	$127.5	$167.0	$210.1		63%	25%	37%
3	3	Blue Care + Wesley Mission + ARRCS	$50.1	$57.6	$95.7	$103.3	$133.1	$148.9	$165.1		22%	25%	(3%)
4	5	Silverchain	$21.5	$26.8	$44.0	$52.5	$69.4	$85.4	$109.7		31%	25%	6%
5	6	HammondCare	$37.1	$46.8	$49.9	$53.1	$58.8	$82.3	$99.7		18%	25%	(8%)
6	7	Bolton Clarke	$31.7	$36.1	$43.4	$51.0	$66.7	$74.5	$99.6		21%	25%	(4%)
7	4	Uniting (NSW.ACT) + Wesley Mission (NSW)	$60.7	$77.7	$80.1	$73.9	$79.2	$88.5	$97.6		8%	25%	(17%)
8	11	Home Instead (franchise)	-	$0.6	$12.5	$22.4	$40.2	$61.7	$96.2		181%	25%	155%
9	8	BaptistCare NSW & ACT	$29.9	$42.2	$50.6	$52.6	$63.4	$71.7	$75.3		17%	25%	(9%)
10	10	Baptcare	$38.4	$42.1	$44.2	$45.7	$54.0	$62.4	$71.5		11%	25%	(15%)
11	16	Uniting AgeWell	$6.6	$16.2	$19.0	$22.2	$39.7	$51.8	$71.3		49%	25%	23%
12	9	Anglicare Southern Queensland	$14.7	$20.0	$36.2	$41.0	$50.0	$65.1	$62.2		27%	25%	2%
13	12	OzCare	$36.0	$41.2	$48.1	$46.2	$51.2	$57.4	$60.9		9%	25%	(16%)
14	13	Mercy Health	$7.6	$8.1	$10.9	$45.6	$52.2	$57.0	$58.5		41%	25%	15%
15	19	Resthaven	$13.7	$20.4	$25.6	$28.3	$36.4	$42.1	$58.0		27%	25%	2%
16	14	KinCare	$42.3	$51.1	$54.8	$51.4	$56.6	$56.7	$54.5		4%	25%	(21%)
17	15	integratedliving Australia	$18.1	$28.1	$35.7	$41.3	$52.6	$55.8	$54.2		20%	25%	(5%)
18	18	Calvary	$13.9	$21.7	$29.3	$33.1	$37.3	$45.3	$51.4		24%	25%	(1%)
19	17	Care Connect	$17.2	$21.5	$27.9	$31.8	$40.2	$45.6	$47.6		18%	25%	(7%)
20	25	Right at Home (franchise)	-	$0.2	$3.8	$10.2	$19.8	$28.8	$44.3		212%	25%	186%
21	20	Anglicare (Sydney)	$7.4	$30.1	$34.2	$35.1	$42.3	$41.3	$43.6		34%	25%	9%
22	21	Catholic Healthcare	$18.7	$25.1	$30.1	$33.0	$37.4	$39.9	$42.2		15%	25%	(11%)
23	41	Five Good Friends	-	-	$1.1	$6.1	$14.1	$20.2	$35.9		136%	25%	111%
24	23	Feros Care	$23.5	$32.8	$26.8	$24.6	$27.8	$31.2	$35.5		7%	25%	(18%)
25	48	Caring Group (part-franchise)	-	$0.0	$1.1	$2.7	$6.8	$15.4	$35.4		732%	25%	706%
		Remainder of providers	$784.7	$968.1	$1,279.1	$1,475.6	$2,026.5	$2,583.9	$3,017.2		25%	25%	(0%)
		Total	$1,311.3	$1,660.5	$2,157.3	$2,486.1	$3,334.3	$4,308.1	$5,114.6			25%	

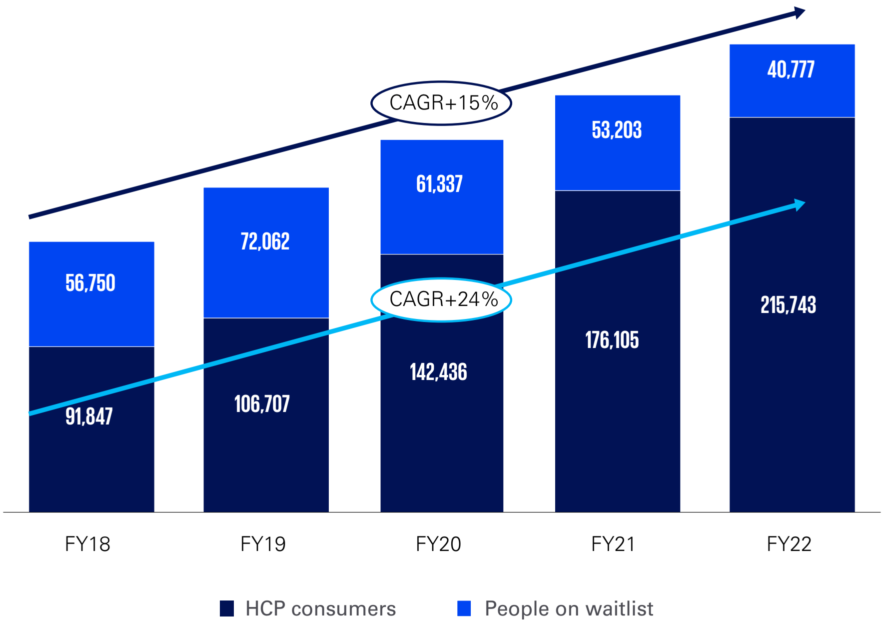
Notable changes in FY22 include:

- **Caring Group:** Caring Group, which includes the brands Dementia Caring, HomeCaring (which is offered as a franchise) and Premier Care, has experienced the most notable growth, with an increase in ranking from 48th in FY21 to 25th in FY22, and compound annual growth of 732 percent over six years. Caring Group's franchise model, HomeCaring, has experienced significant growth since the first pilot model was tested in 2018. By 2020 they had 13 franchise locations established and set a goal of 21 new partnership franchisees in 2021. HomeCaring, who also deliver services under the National Disability Insurance Scheme (NDIS), have won numerous awards recognising their growth since commencing in 2015.
- **Five Good Friends:** Five Good Friends, with their technology-enabled membership model have also seen significant growth, rising from a ranking of 41st in FY21 to 23rd in FY22. Five Good Friends operate under a contractor model, where they connect clients with 'Helpers' to provide the services they require. This is designed as a low-cost model, with 'recommended hourly rates' for personal care at $50.50 compared to an industry average of $61.
- **Home Instead:** Since becoming an approved Home Care Package provider in 2017, Home Instead has seen significant year-on-year growth (181 percent compound annual growth), aided by their globally recognised brand but local presence. The franchise model has enabled rapid scalability, offering a relatively low-cost, low-risk model for franchisees, who range from business partnerships to sole operators. The franchisor assists franchisees with the process of becoming an approved provider, with each franchisee legal entity registered as an individual approved provider.
- **KinCare:** KinCare has experienced the lowest compound annual growth over the past seven years and has lost considerable market share. KinCare were ranked 3rd in FY18 and have since dropped to 16th in FY22. This is the largest drop in ranking across the top 25 group.

Market growth

The Home Care Package market has experienced significant growth, mainly from an increase in the number of Home Care Packages available in the market. This growth is aligned to government policy and consumer preference to remain at home for as long as possible. The chart below shows historical growth in the number of consumers across the country. This growth is equivalent to a compound annual growth rate (CAGR) of 24 percent over the timeframe, as shown in Figure 4 below.

FIGURE 4: NUMBER OF HOME CARE CONSUMERS + WAITLIST



The difference in growth between the Home Care Package consumers (24 percent) and total demand (Home Care Package consumers + waitlist, 15 percent) indicates that unmet demand is slowly decreasing as more packages are released into the market. Both growth measures exceed growth in the 80 years and over population over the same timeframe, which was 3.2 percent, reiterating the fact that there has historically been significant unmet demand.

Underlying this overall growth, the industry has seen:

- growth in the number of home care providers, or new entrants to the sector. Figure 5 below depicts growth over FY18 to FY22, which is equivalent to a 0.8 percent CAGR.
- growth in the number of consumers per provider. Figure 6 below depicts growth over FY18 to FY22, which is equivalent to a 23 percent CAGR. This growth is driven by the increase of supply into the market.

The number of providers in the market is expected to stagnate or potentially decline as merger and acquisition activity in the market continues to play out.

FIGURE 5: NUMBER OF PROVIDERS OF HOME CARE PACKAGES

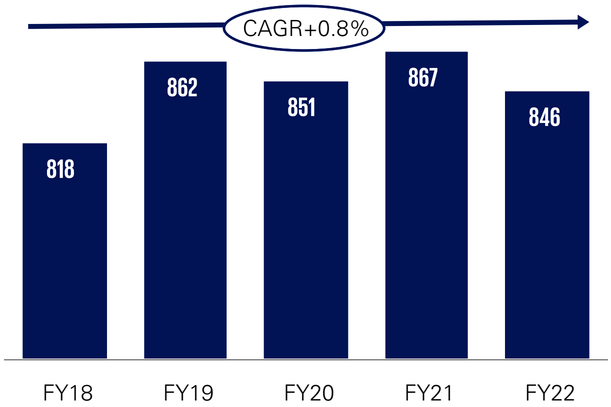
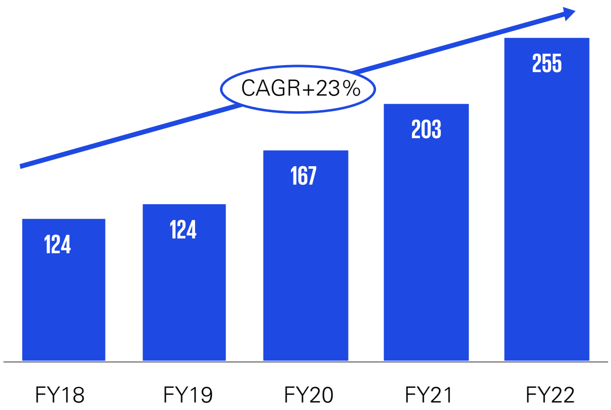


FIGURE 6: AVERAGE NUMBER OF HCP CONSUMERS PER PROVIDER



Acquisition and consolidation

The home care market continues to evolve and adapt in response to changing market dynamics. Anglicare Sydney's home care business may expand with the announcement in December 2022 that they are in a period of due diligence to explore taking over Presbyterian Aged Care NSW's home care services in the Sydney metropolitan and New England areas. This could lift Anglicare Sydney's ranking from 21st to 19th (based on FY22 government funding figures).

The most significant news in terms of mergers and acquisitions in the home care space was the announcement in March 2023 that BaptistCare NSW & ACT and Baptistcare WA have agreed to merge. Based on FY22 government funding received, the merged entity would be ranked 9th largest in the country (noting this would not change BaptistCare NSW & ACT's current ranking at number 9). Combined, the two entities will service 9,000 home care clients.

Other news across the Home Care Package sector includes:

- In July 2022, Uniting (NSW. ACT) took over operations of Crookwell Taralga Aged Care, which included 68 residential aged care places across two sites and approximately $1.5 million in Home Care Package funding.
- In November 2022, Helping Hand acquired Kindred Living (Whyalla Aged Care), who at the time were providing Home Care Package services to 120 clients.
- In November 2022, Respect, a Tasmania based not-for-profit provider, with a presence in Victoria and NSW, merged with fellow not-for-profit provider Masonic Care Tasmania, including home care services. Prior to the merger with Masonic Care Tasmania, Respect had almost no presence in the home care space, with a focus on residential aged care and retirement living. This merger has added approximately $3 million in Home Care Package funding to the Respect Group.
- In March 2023, IRT Group announced its acquisition of Marco Polo Aged Care Services, which includes 335 residential aged care places across two sites, as well as Home Care Package services with a value of approximately $1 million.

New market entrants

KPMG has analysed a number of providers who are new entrants to the market and have also experienced significant growth (based on government funding received) over the past five years. Trilogy Care is the key standout, with $20 million growth in funding in the past 12 months.

This is a family-owned business with a self-managed model, utilising Mable and Careseekers platforms to connect clients with support workers.

Overall, our analysis of new market entrants shows that there are a few common themes to growth success: low-cost, self-management and a focus on tailoring supports to meet the needs of diverse communities.

TABLE 2: NEW MARKET ENTRANTS, HOME CARE PACKAGES

PROVIDER	FY18 FUNDING	FY22 FUNDING	GROWTH INSIGHTS
Trilogy Care		$21,612,989	Self-management focus with use of online support worker platforms (Mable, Careseekers)
The CareSide	$175,237	$16,354,980	Position themselves as a low-cost provider – aims to provide 'the best value home care in Australia'
Melbar	$102,768	$14,826,223	Culturally and Linguistically Diverse (CALD) focus with website in English and Mandarin
Sunny Care Home Services	$813,562	$12,311,610	CALD focus with website in English and Cantonese
Eremea Health	$678,918	$11,760,307	CALD focus with bilingual staff
My Care Solution	$448,698	$10,054,367	Family-owned, local focus
People First Healthcare		$9,382,683	CALD + socially and financially disadvantaged focus
Melville Cares	$385,788	$8,406,351	Established community care provider since 1986
E.I. Care	$74,291	$7,792,947	Low-cost provider – personal care at $46 per hour
Alpha Omega Consulting		$7,013,977	CALD focus, including in consultancy services

Residential aged care

Consumer demographics

As at June 2022, there were 180,750 permanent residents accessing residential aged care, a decrease of 1.7 percent since June 2021. The proportion of older Australians using aged care services differs between Australian states and territories, as well as by remoteness. South Australia has the highest proportion of the population using residential aged care (6.6 percent), whilst the Northern Territory has the lowest (4 percent).

Provider landscape

There are currently 698 providers delivering residential aged care in Australia, a 4.3 percent decrease in providers in the market since FY21. Similar to home care, the residential aged care market can largely be separated into three categories: not-for-profit providers, for-profit providers, and state and local government providers.

Not-for-profit providers

At June 2022, there were 432 not-for-profit providers, operating almost 130,000 residential aged care places, accounting for 58 percent of the market. The not-for-profit segment is mainly made up of community-based and religious providers and they tend to cover a broader geographic region, with 40 percent of not-for-profit homes located outside of metropolitan areas, compared to only 18 percent in for-profit providers. Of the not-for-profit providers, 65 percent operate only one residential aged care home.

For-profit providers

At June 2022, there were 179 for-profit providers, operating over 80,000 residential aged care places, accounting for 38 percent 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 and Regis Healthcare) and one Australian member owned (mutual) company (Australian Unity). Private companies generally favour metropolitan locations, with over 80 percent of homes located in major cities.

State and local government

The government segment accounts for only 4 percent of the market (based on the number of operational places) and is comprised of a mixture of local government (which account for 1 percent of the market) and state or territory government providers (which account for 3 percent of the market). Government services tend to be in place in 'thin markets', and hence are typically regionally located with only 13 percent of homes located in major cities. At June 2022, there were 87 government providers, operating 8,200 residential aged care places.

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

Overall, demand for residential aged care is declining and has resulted in a drop in occupancy levels across the sector (a drop of 5.6 percent over the past five years, down to 86.2 percent in FY22). The total number of residents in care (permanent and respite) declined for the first time between FY21 and FY22 (0.7 percent decrease). This drop in demand partly corresponds with the increase in demand (and supply) for Home Care Packages.

Despite the decline in occupancy levels and overall demand for residential aged care, the Australian aged care market has continued to grow in terms of the number of operational places per provider. Reasons for this growth could be that providers are seeking to reach the right economies of scale, growing their brand reputation and footprint, and seeking greater influence in the sector.

This growth in overall supply is despite the challenging operating environment, with results from the first Quarterly Financial Report indicating that 64 percent of providers are now operating at a loss. This continued growth indicates a level of confidence that financial performance will improve.

Overall, there has been:

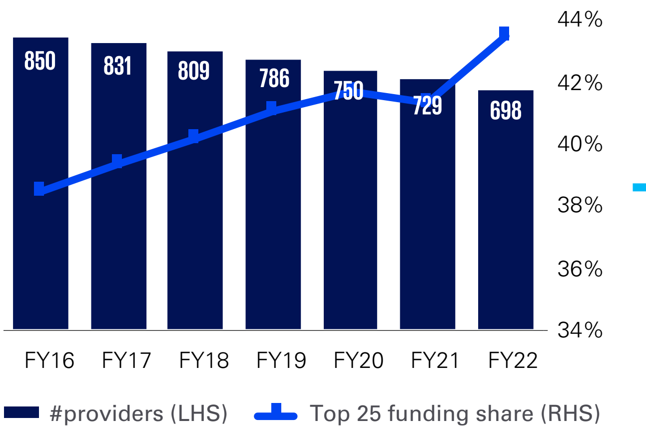
- compound annual growth in the number of operational places of 1.5 percent between FY18 and FY22. This is compared to an occupancy rate that has declined from 90.3 percent in FY18 to 86.2 percent in FY22.
- 4 percent growth in government expenditure, with $14 billion in expenditure in FY21 and $14.6 billion in FY22. Given there was a decrease in the total number of residents, the increase in expenditure per resident was slightly higher at approximately 6 percent over the same timeframe.
- a change in assessment and funding model in October 2022, the financial and operational impacts of which are not fully known given its relatively recent introduction.

  StewartBrown benchmarks indicate subsidies may have increased by approximately 10 percent as a result of the new funding model, however, the increase is intended to fund an expected required increase in direct care minutes in order to meet requirements that will be effective from October 2023. The 10 percent benefit is anticipated to be significantly absorbed by the increase in direct care time costs.
- new requirements in relation to staffing are set to come into effect in 2023, starting with having a registered nurse onsite 24 hours per day from July 2023, and then needing to achieve minimum ‘care minutes’ targets by October 2023. These measures could be considered contributing factors towards the closure of some homes, including recent announcements from Brightwater in Western Australia and Wesley Mission in New South Wales that they will each close three of their homes.

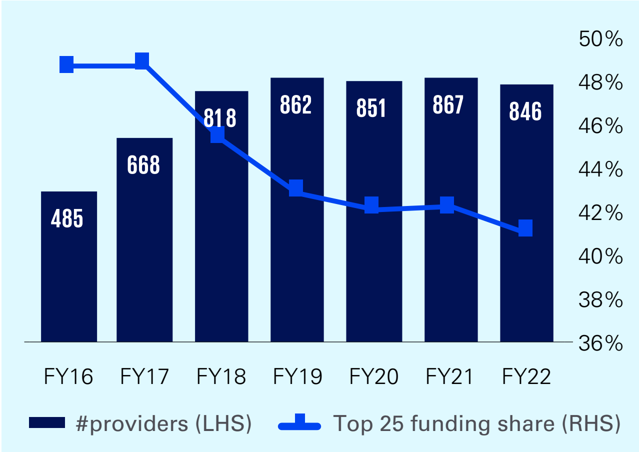
Top 25 market players in residential aged care

In FY22, the top 25 residential aged care providers received 44 percent of total government funding paid in the year. This is an increase on the prior year which was 41 percent. This can partly be explained by two very large acquisitions that took place in the year. That is, Bolton Clarke's acquisition of Allity, and Calvary's acquisition of Japara. The trend over a longer timeframe has been similar though as shown in Figure 7 below, reflecting the consistent decline in the number of providers and therefore higher concentration of funding with a smaller number of providers in the market. This trend is the opposite to the Home Care Package market which has seen an increase in the total number of providers over the same seven-year period.

FIGURE 7: NUMBER OF PROVIDERS (LHS) AND TOP 25 MARKET SHARE (RHS)



HOME CARE PACKAGE MARKET COMPARISON



In terms of geographical reach, there has been minimal change in the top 25 provider mix (see Figure 8) and no clear trends, however it is interesting to see Victoria's largest family-owned residential aged care provider, TLC Aged Care, move into the top 25, with operations contained within the one state. They now join fellow Victorian-based provider Blue Cross to be two of only four single-state operators in the top 25.

Figure 9 shows that there has been no change in the mix by provider type, with private providers still dominating the top 25 with a 44 percent share. Calvary (after their acquisition of Japara), Infinite Care and TLC Aged Care are the new entrants.

FIGURE 8: NUMBER OF STATES/TERRITORIES OF OPERATION

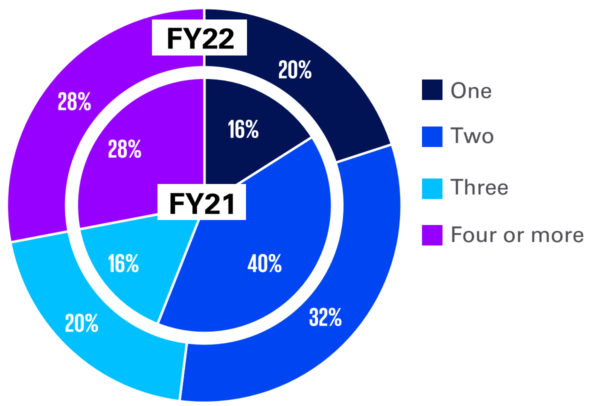


FIGURE 9: PROVIDERS BY ORGANISATION TYPE

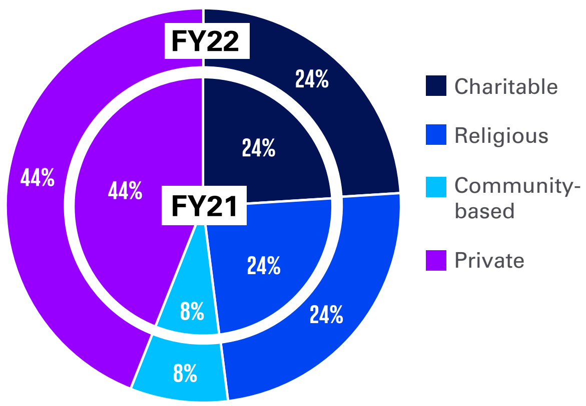


Table 3 details the top 25 residential aged care providers for FY22. Major acquisitions by Bolton Clarke and Calvary have changed the mix slightly, however, there are a number of other smaller acquisitions which have also had an impact.

TABLE 3: 25 LARGEST RESIDENTIAL AGED CARE PROVIDERS

FY22 RANK	FY21 RANK	PROVIDER	OPERATIONAL PLACES							SPARKLINES	COMPOUND ANNUAL GROWTH		
			FY16	FY17	FY18	FY19	FY20	FY21	FY22		BY PROVIDER	TOTAL INDUSTRY	VARIANCE
1	1	Opal	6,119	6,521	6,832	7,262	7,525	8,002	8,575		6%	2%	4%
2	2	Regis	5,895	6,108	6,784	7,241	7,424	7,338	7,338		4%	2%	2%
3	3	Estia	5,058	5,975	6,094	6,142	6,552	6,675	6,706		5%	2%	3%
4	14	Bolton Clarke + Acacia Living	2,259	2,307	2,517	2,510	2,511	2,511	6,685		20%	2%	18%
5	4	Bupa	7,139	7,302	7,406	7,363	7,363	6,586	6,219		(2%)	2%	(4%)
6	5	Uniting (NSW.ACT) + Wesley Mission (NSW)	5,671	5,785	5,715	5,605	5,594	5,613	6,037		1%	2%	(1%)
7	38	Calvary	982	1,011	1,011	1,214	1,214	1,215	5,880		35%	2%	33%
8	6	Blue Care + Wesley Mission + ARRCS	5,099	4,874	4,866	4,895	4,895	4,895	4,895		(1%)	2%	(3%)
9	9	Arcare	2,103	2,508	2,977	3,318	3,535	3,941	4,203		12%	2%	10%
10	10	Catholic Healthcare	2,371	2,405	2,514	2,668	2,900	3,014	3,088		5%	2%	3%
11	11	BlueCross	1,794	1,975	1,979	2,152	3,013	2,887	2,887		8%	2%	6%
12	19	St Vincent's Care Services	747	1,341	1,361	1,661	2,073	2,073	2,598		23%	2%	21%
13	13	Aegis	2,013	2,013	2,093	2,118	2,241	2,571	2,571		4%	2%	2%
14	12	Mercy Health	1,631	1,631	1,631	2,701	2,701	2,664	2,485		7%	2%	5%
15	15	Anglicare (Sydney)	450	2,187	2,187	2,364	2,364	2,492	2,440		33%	2%	31%
16	17	McKenzie Aged Care + Embracia	1,612	1,760	1,749	2,350	2,350	2,350	2,350		6%	2%	5%
17	16	RSL LifeCare Limited	1,916	2,070	2,128	2,302	2,360	2,360	2,332		3%	2%	1%
18	25	Hall & Prior	975	1,060	1,266	1,350	1,788	1,789	2,084		13%	2%	12%
19	20	OzCare	1,298	1,326	1,476	1,630	1,630	2,057	2,057		8%	2%	6%
20	18	Churches of Christ in Queensland	1,732	1,801	1,891	2,105	2,145	2,134	1,992		2%	2%	0%
21	37	Infinite Care	386	388	538	682	1,230	1,230	1,971		31%	2%	29%
22	21	The Whiddon Group	1,536	1,535	1,671	1,671	1,941	1,963	1,955		4%	2%	2%
23	23	BaptistCare NSW & ACT	1,788	1,800	1,811	1,807	1,941	1,946	1,946		1%	2%	(1%)
24	22	IRT	1,744	1,744	1,744	2,000	2,000	1,960	1,842		1%	2%	(1%)
25	26	TLC Aged Care	1,161	1,221	1,221	1,464	1,604	1,724	1,779		7%	2%	5%
		Remainder of providers	132,346	132,041	135,680	136,822	136,251	137,115	127,050		(1%)	2%	(3%)
		Total	195,825	200,689	207,142	213,397	217,145	219,105	219,965			2%	

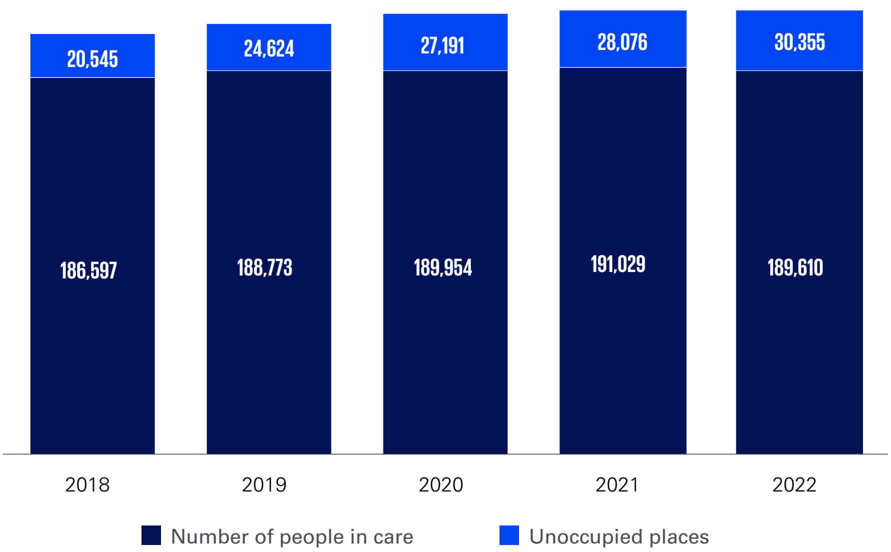
Notable changes in FY22 were all driven by mergers and acquisitions, including:

- **Calvary:** Calvary rose 31 places to 7th largest provider (based on operational places) in FY22 after acquiring ASX-listed Japara. The transaction included 4,725 operational places, for which $315 million in government funding was paid in FY22. Combined, Calvary now has 5,880 places across all states and territories except for the Northern Territory and Western Australia.
- **Bolton Clarke:** Bolton Clarke acquired 43 residential aged care homes from Allity, taking them to the 4th largest provider in FY22. The transaction included 3,880 operational places, for which $270 million in government funding was paid in FY22. This followed shortly after a merger with Acacia Living Group in Western Australia which added a further 265 operational places and $18 million in government funding. Combined, Bolton Clarke now has 6,685 places across five states. In FY23, Bolton Clarke has continued its growth trajectory, with the acquisition of McKenzie Aged Care, making them the largest overall aged care provider in the country (noting data in Table 3 excludes the McKenzie acquisition as this occurred in FY23).
- **St Vincent's Care Services:** St Vincent's Care Services was 12th largest in FY22, rising seven places after the acquisition of three homes from PresCare (with 390 places, including 96 that became operational in FY22) and the opening of a new 135 place development at Kew in Victoria.
- **Hall & Prior:** Hall & Prior increased in size by 295 operational places in FY22, with the acquisition of three single-site providers in Western Australia and New South Wales and the opening of a new 121 place development in Penshurst, Sydney.
- **Infinite Care:** Infinite Care rose into the top 25 in FY22, up from 37th place in the prior year with an increase of 741 operational places. This is through two acquisitions, including three homes in New South Wales previously operated by Christadelphian Aged Care, and Retreat Care's three homes across Queensland and New South Wales.

Market growth

Despite the drop in occupancy levels and overall demand for residential aged care, the Australian aged care market has continued to grow in terms of the total number of operational places. Figure 10 below shows historical growth in the number of 'operational places' across the country. This growth is equivalent to a CAGR of 1.5 percent over the timeframe.

FIGURE 10: TOTAL AND OCCUPIED RESIDENTIAL AGED CARE PLACES



0.4 percent compound annual growth in the number of occupied residential aged care places is low relative to the growth in the 85 years and over population over the same timeframe, which was 2.5 percent. This indicates a trend away from residential aged care to an extent.

Underlying this overall growth, the industry has seen:

- a decline in the number of residential aged care providers. Figure 11 below depicts this decline over the timeframe, which is equivalent to a negative CAGR of 3.6 percent. Viability pressures and regulatory reforms have led to a degree of consolidation in the market.
- growth in the number of places operated by a provider. Figure 12 below depicts growth over the timeframe, which is equivalent to a 5.3 percent CAGR. This growth is driven by the market consolidation as some providers have exited the market. Some providers also target growth in order to gain operating efficiencies through economies of scale (i.e. increasing the number of places they operate).

The number of providers in the market is expected to continue to decline as viability pressures increase and uncertainty remains around the future directions pending reforms as a result of recommendations from the Royal Commission into Aged Care Quality and Safety.

FIGURE 11: NUMBER OF RESIDENTIAL AGED CARE PROVIDERS

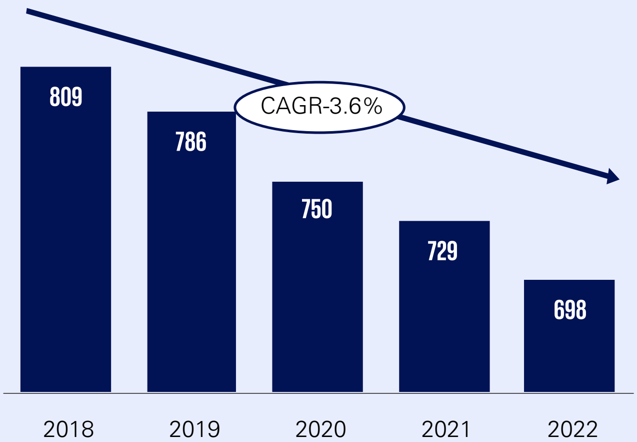
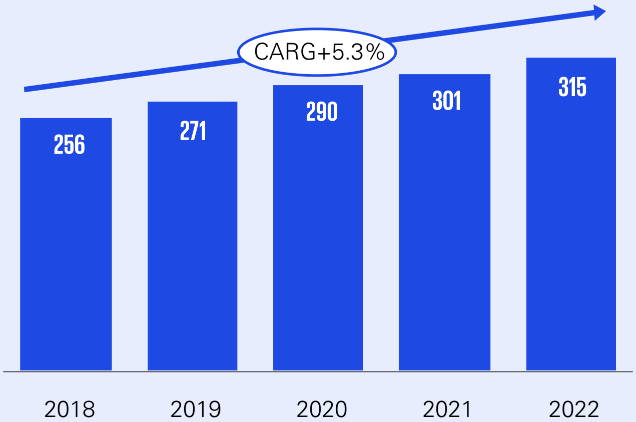


FIGURE 12: NUMBER OF PLACES PER PROVIDER



Acquisition and consolidation

Similar to home care, the most significant recent news of mergers and acquisitions in the residential aged care space was the announcement in March 2023 that BaptistCare NSW & ACT and Baptistcare WA have agreed to merge. Based on FY22 operational places, the merged entity would be ranked 12th largest in the country, just behind Victoria's BlueCross. Combined, the two entities would have 2,804 operational places.

In February 2023, Bolton Clarke announced its agreed acquisition of McKenzie Aged Care. This includes the transfer of nine residential aged care homes and two retirement villages in Queensland, as well as management rights for eight additional homes in Victoria. This transaction, when complete, is set to make Bolton Clarke the largest overall aged care provider in the country. In order to assist with sourcing capital for the acquisitions, Bolton Clarke entered a sale-and-leaseback agreement with Australian Unity Healthcare Property Trust for nine residential aged care homes in South Australia. The transaction was negotiated at $220 million.

Other news across the residential aged care sector includes:

- Presbyterian Aged Care NSW announced it will exit the market, with a portfolio of 708 operational residential aged care places (as well as approximately $6 million in government funding from Home Care Packages). Moran Healthcare has acquired the Hunter region home, with Anglicare Sydney undertaking a period of due diligence to explore taking over the Sydney Metro and New England sites.
- Apollo Care Alliance continues their expansion plans, with acquisition of Bundaleer Care Services on the Mid North Coast. This takes their number of operational homes to a total of six with 488 places. Apollo Care Alliance also announced the acquisition of a closed home in Harden, NSW (Harden Grange) and has plans to reopen.
- Helping Hand acquired Kindred Living (Whyalla Aged Care) in November 2022, which included residential aged care services with 115 places across two sites. The acquisition took place after operating under a management agreement for 12 months.
- Respect, a Tasmania based not-for-profit provider (with a presence in Victoria and NSW), merged with fellow not-for-profit provider Masonic Care Tasmania in November 2022. This merger included three residential aged care homes and 250 independent living units.
- Royal Freemasons announced in October 2022 that it will sell all its residential aged care homes except for one based in Melbourne, and all of their retirement living assets. This includes 1,436 operational residential aged care places across 16 sites in Victoria.

New market entrants

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.

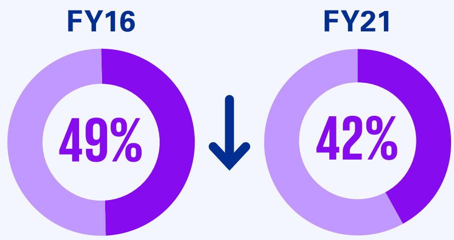
TABLE 4: NEW MARKET ENTRANTS, RESIDENTIAL AGED CARE

PROVIDER	FY22 PLACES	INSIGHTS
Respect	1,587	Although not an entirely new organisation, Respect has grown to a current 20 aged care homes with 1,587 operational places over a period of five years through a series of acquisitions, typically from other small providers.
Carino Care	236	Carino Care is owned by Tierra Health, an aged care operational and management services company. Through Carino Care, Tierra Health acquired four homes from Ark Health Care after they did not pass accreditation.
Rockpool Residential Aged Care	150	Rockpool has two operational residential aged care homes in Queensland (Morayfield and Carseldine). Rockpool has a strong focus on sustainability and innovation. It's Carseldine home, for example, is Australia's first 5 Star Green Star home.
The Village Care Managers	96	A retirement village operator, with one site (Coorparoo) being full continuum of care, with independent living, home care, respite, residential aged care and palliative care.
St Charbel's Care Centre	75	Established by the Lebanese Maronite Order in 2019 with some capital support from the Commonwealth Government. Closely connected to St Charbel's Maronite Community.

Summary

Key findings

The Home Care Package market has experienced significant growth, mainly from an increase in the number of Home Care Packages available in the market.



THE top 25

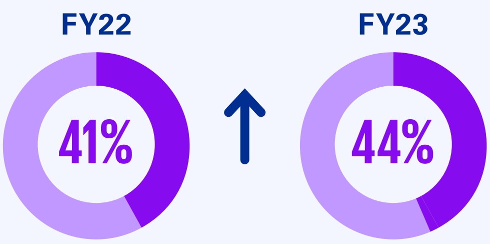
Home Care Package providers received 41 percent of total government funding paid to providers,

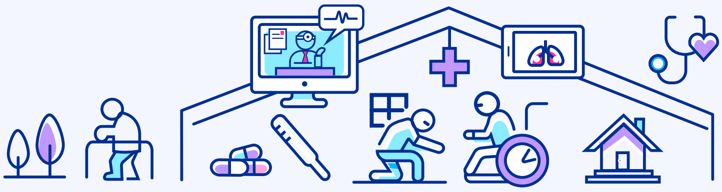
a decrease from 49 percent in FY16 and 42 percent in FY21. This decrease reflects the fact that there has been an increase in the total number of providers in the market over the same timeframe.

The top 25

residential aged care providers received 44 percent of total government funding

paid in the year, an increase from 41 percent in the prior year. This can partly be explained by Bolton Clarke's acquisition of Allity, and Calvary's acquisition of Japara.





Despite the drop in occupancy levels and overall demand for residential aged care, the Australian residential aged care market

has continued to grow in terms of the total number of operational places and the number of operational places per provider.

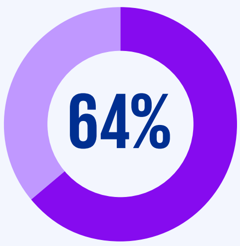
Smaller providers are continuing to exit the market due to increasing regulatory requirements,

particularly requirements relating to workforce and governance,

and their inability to remain financially sustainable.

Further market activity is expected as large providers continue to seek opportunities to grow market share and obtain optimal economies of scale.

Insights for the sector



Financial pressure is continuing in the sector, with 64 percent of residential aged care providers operating at a loss according to data released from the first Quarterly Financial Report (September 2022 quarter).

The ongoing financial sustainability of aged care providers, particularly those in regional, rural, and remote locations will likely result in large amounts of market consolidation.

New requirements relating to mandated care minutes and 24 hour registered nurses onsite at residential aged care homes are exacerbating the issue.

Workforce continues to remain a critical issue for aged care providers, as they struggle to attract and retain qualified, skilled, and experienced staff.

Systems that support

efficient operations

analyse data

support provider reporting

will be critical for providers to achieve optimal operational and business performance, as well as innovative models around delivery of support functions.

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