

# Aged care in 2022 – fixing a once in a generation challenge

By Perpetual Private Insights

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**Aged care providers**  
Time for a strategic shift?

**Section Two: Pressure to consolidate**

One part of the Government's reform package is the Business Improvement Program. They're aimed at improving governance and operations in small and medium providers particularly those located in regional, rural, and remote areas.

Why are they required? To reduce the risk of business failure amongst the most vulnerable residential aged care providers as they adjust to changes in the sector. They lead some to refer that the intent and funding structure developed by the Government, as it links out in the Pillar Reform, are a deliberate consolidation strategy.

Michael Sutcliffe, a Lead Partner at accounting and advisory firm, Fordham, says: "From 1 July 2024, residential aged care places will be allocated to providers instead of providers. Providers will now compete for customer must prepare for now. I can't put it too boldly it will be the ability to attract customers which will drive the value and viability of any Aged Care provider going forward."

According to Fordham, this has the following implications:

- Unless they're in a strategically superior location with proven high demand, provide a superior accommodation option, or meet a specific need, most Residential Aged Care businesses are likely to be operating under capacity and hence are under pressure to do one of the following:

- Consolidate with other providers to create a larger, more competitive entity
- Exit the market
- Rebrand and reposition
- Seek for organisations who can help them to deliver their services cost-effectively

Paradoxically, some high-quality, well-resourced Aged Care businesses will be susceptible to competition in their own right. Previously these businesses were protected by their size and scale. Now, they find a way to gain or maintain market share by delivering their services cost-effectively.

While the legislative environment is uncertain about the economic uncertainty about the economy, Aged Care operators, it's well known that equity, real estate, and property companies will be in a strategic position to acquire Aged Care businesses.

According to the annual Reg the Aged Care Act, the number of residential aged care places will be reduced by 10% over the next five years. This is a significant challenge for the industry.

The team at Fordham has been working with Aged Care operators to develop a strategic response. The removal of support for aged care, consolidation, and a transformation in the industry.

**ACSA**  
Aged & Community Services Australia

**fordham**

**Perpetual**

**Expert advice makes the difference**  
Perpetual works with Aged Care providers and understands the complexities faced by operators. We have the highest value service offerings we focused around:

- Advising operators on how to improve performance against industry benchmarks
- Preparing businesses for consolidation – whether as target partners, buyers or sellers
- Analysing and underpinning by Fordham's experience on all sides of buy/sell/transfer transactions and their impact on the whole point of purpose and acquisition discussions
- Risks with board and management teams as advisory board members providing external insight
- Working with operators on projects that increase compliance burden and optimise the financials
- Using independent expert valuation reports for a whole range of corporate actions in the Aged Care sector
- Perpetual's investment expertise into play to meet the needs of providers. Perpetual works with the largest not-for-profit organisations, as trustees, investment managers and/or advisors. In addition, we work with numerous providers to assist them in the formulation of their investment strategy with the investment of assets (funds) and to ensure all assets on their balance sheet are put to managed financial return. Perpetual also manages the funds associated by operators
- Providers dealing with major reform, consolidation and a more complex knowledge, human capital – and financial capital. Those optimised to support the strategic shifts required.

**The time is now**  
Whilst the white paper has outlined a strategy of challenges to providers, the focus at ACSA, Fordham and Perpetual are close enough in the industry to see the major transformative opportunities available to Aged Care operators that are financially resilient to Aged Care in the sector. It will be the eyes that are prepared to do deep work that will succeed.

By Michael, Manager, NTP and Aged Care, Perpetual

Expert insights for Aged Care providers grappling with reform, labour shortages and consolidation.

The government calls its reform of Aged Care a 'once in a generation' reform. It is that. And most Aged Care providers welcome the reform. But they are being asked to manage this landmark systemic change whilst dealing with a web of interconnecting challenges:

- The ongoing effects of Covid on clients, operations and budgets.
- A critical labour shortage exacerbated by Covid-immigration restrictions and competition for key staff.
- The difficulty of attracting clients into centres given Covid fears, staff shortages and increased HomeCare funding.

### **How can providers manage these reforms, ensure their future viability and protect the interest of their clients?**

The answers can be found in a new white paper, jointly produced by Aged & Community Services Australia (ACSA), advisory group Fordham and investment specialist Perpetual.

[Download the whitepaper](#)

This white paper draws on ACSA's expertise to paint a picture of the current environment and look at the social implications of reform and consolidation.

Just as importantly, it explains how Aged Care providers can adapt to the systemic shift they face through strategic thinking that helps them answer key questions:

- How adaptable is the organisation and its people?
- What are the financial metrics providers need to manage to survive and thrive?
- Predator, prey or partner – where does an organisation sit in a consolidating aged care sector?

Ultimately, the white paper is designed to help Aged Care providers and their leaders make the crucial decision – Stay and Grow. Or go.

It's an invaluable, practical roadmap for all providers.

[Download the whitepaper](#)

### **MORE INFORMATION**

Perpetual runs Investment Strategy Management workshops that can help aged care providers tailor their investment strategy to today's low-rate investment environment – and in doing so, help manage today's high-costs operating environment.

If your organisation would like to talk through these issues – including a tailored investment strategy and liquidity management assessment – please fill in the form below or contact Anthony Hamawi on 03 9611 6665, 0402 495 448 or [anthony.hamawi@perpetual.com.au](mailto:anthony.hamawi@perpetual.com.au)

## Want to speak with an expert?

Get in touch with our Aged Care specialists through the contact details in the white paper or by submitting the form below.

[Get in touch](#)

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