

# A SOLUTION FOR AUSTRALIA'S AGED CARE SYSTEM - CONTINUUM OF CARE



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In my role as High Commissioner of New Zealand to Australia I take great pride in nurturing the relationship between our two countries, including introducing some of New Zealand's best and brightest talents to Australia.

I've known Ryman Healthcare for many years - not only as a provider of excellent care at its Rita Angus village in my former electorate of Rongotai, but as a trusted source of policy input and advice to the New Zealand government in the management of our health and aged care systems.

I'm delighted that Ryman is now delivering its uniquely Kiwi brand of kindness and care here in Australia.

The continuum of care model - widely used in New Zealand but only in its infancy in Australia - offers a strong basis on which to address two key issues facing the aged care sector: financial viability and, most importantly, improving the quality of care delivered to residents.

As Ryman is demonstrating in its villages in Victoria as well as back home in New Zealand - the continuum of care model facilitates investment in the high-quality aged care that older people need and deserve.

We know that Australians and New Zealanders have always achieved great things by sharing our knowledge and experience to improve outcomes for our communities, and this paper is a worthy contribution to the important policy conversation around aged care in Australia.

**Her Excellency the Hon Dame Annette King, DNZM**

New Zealand High Commissioner to Australia

## Australia's aged care system is in trouble

The Royal Commission into Aged Care Quality and Safety confirmed Australia's aged care industry is not fit for purpose.

The system is both unprofitable and underfunded: 64 per cent of providers operate at a significant loss, while current Australian Government spending on aged care – despite record levels of investment – is about one fifth less than other OECD countries at 1.2 per cent.<sup>1,2</sup> Concurrently, the population is ageing, with the number of Australians aged 85 and beyond estimated to rise by 1.5 million by 2058.

Vital changes being implemented in response to the Royal Commission, while welcome, are creating additional burdens for an industry already in a precarious financial position and providing a sustainable and skilled aged care workforce remains a significant challenge.

Long term reform is vital if Australia is to address the funding and viability issues endemic across the sector, successfully manage the country's demographic trajectory, and provide the quality care that senior Australians need and deserve.



## Continuum of care offers a way forward

To rectify the systemic issues afflicting the aged care sector laid bare by the Royal Commission, Australia needs to consider alternative approaches. New Zealand's continuum of care model offers a tried and tested solution.

The continuum of care model, introduced to Australia by Ryman Healthcare, delivers communities that incorporate quality retirement living options, integrated with serviced apartments, home care services and aged care facilities, allowing residents and their partners to remain in the same village while meeting their care needs as they change over time.

Ryman is keen to share its experience of implementing the continuum of care model in Australia, the benefits it offers and how the regulatory environment could further encourage its adoption.

In the continuum of care model, while aged care is not directly subsidised, its costs are offset by the efficiencies provided through the sharing of fixed costs via the co-location of retirement living, serviced apartments and home care. These include shared facilities, care staff, property maintenance and operational expenses.

Further, by diversifying revenue streams through strategically complementary assets and businesses (e.g. the development and sale of retirement living property), and not basing income on the provision of one service or product, operators of the continuum of care model like Ryman have demonstrated long-term financial sustainability with much lower reliance on government funding. This is important to ensure the long-term viability of the industry.

Put simply, the continuum of care model facilitates investment in the high-quality aged care that residents need and deserve.

The continuum of care model also enables the Australian Government to address many of the current challenges in aged care, through:

- **Efficiencies in funding of home care:** Government spending on home care services has increased 64 per cent in just four years, owing to the meeting of pent up and increased demand. A continuum of care environment, with an ageing population on a single site, provides for significant cost efficiencies. This is vital if the sector is to continue meeting demand for home care packages without placing significant additional stress on government finances.
- **Built-in incentives to ensure quality:** In a model where a significant source of capital is the sale of retirement village units, a particularly high quality of aged care is required to attract residents. This built-in incentive is significantly more powerful than punitive quality management regulations.
- **Investment in governance and quality control to meet or exceed sector standards:** The continuum of care model has allowed Ryman to invest in a suite of governance and quality control measures, such as the digital myRyman platform which minimises the administrative burden while providing a wealth of data to monitor and enhance its care offering. Ryman already meets the new requirement of 215 care minutes per resident, per day.

- **A skilled and sustainable workforce:** The Royal Commission recommended the introduction of Certificate III in Individual Support as a minimum qualification for all carers, but recognised that mandating such a standard may act as a barrier to entry. Ryman has long insisted that its carers hold a minimum qualification of Certificate III in Individual Support, and its wards are managed by experienced nurses. In addition, approximately 2.5 per cent of Ryman's staff, salary and wage expenditure is dedicated to education and career development. Providing more work for carers across one site also provides a model to address issues of insecure work in the aged care sector, with a significantly reduced need for casual staff.

## Encouraging the growth of continuum of care in Australia

There are a number of systemic changes that would facilitate the greater uptake of this proven model:

- **Synchronisation of regulation:** Australia is unusual in that retirement living and aged care legislation is not synchronised and resides in different jurisdictions (state and federal, respectively), creating significant complexity for operators of the continuum of care model. A national regulatory regime that governs continuum of care operators at least, if not the retirement living and aged care sectors in synchronisation, is highly recommended.
- **Clear training and immigration pathways:** Specific supports for accredited operators who help develop skills in much needed staff for the industry would be welcome, together with more supported immigration and training pathways for both nurses and carers.
- **Removing tax inequity:** Removal of the payroll tax subsidy in 2015 has created inequity between private and not-for-profit operators and the ability to hire and train staff. An end to this inequity is long overdue.
- **Encouraging co-location through the planning system:** Despite recent efforts to create a planning environment which encourages the development of aged care facilities in established residential areas (in Victoria, for example), unfortunately, despite growing demand for such facilities, the provisions do not extend to continuum of care facilities that incorporate both retirement living and residential aged care. Creating greater incentives in planning systems for integrated retirement living and aged care facilities would be a welcome addition to the regulatory landscape.
- **Home Care Packages for retirement villages:** Introducing a specific Home Care Package for retirement villages and serviced apartments would support the adoption of the continuum of care model in Australia. This would meet the government's objectives for independent living as residents age and their care needs change, without the need to move to more expensive residential aged care.

- **Long term funding reform:** To incentivise development, and as recommended by the Royal Commission, co-contribution models should be explored. This would ensure care delivery is consistent for all Australians as they age, while enabling ageing Australians to fund the type of accommodation that they prefer to suit their particular needs, tastes and requirements.

## In summary

There are numerous potential ways to address the issues in Australia's aged care system but most come at a substantial cost. Continuum of care is but one model that offers a tried and tested solution to support the delivery of the Australian Government's aged care reform agenda, with proven long-term financial sustainability.

Continuum of care is a win-win for government, the aged care sector and, most importantly, senior Australians.

Ryman is pleased to add its voice to this important national policy conversation.



# About Ryman Healthcare

Since 1984 New Zealand's Ryman Healthcare has provided residential aged care and retirement living integrated on one site. In 2014 Ryman entered the Australian market with the development of a village in Wheelers Hill, Melbourne. As of 2022, Ryman operates 45 retirement villages, including seven in Victoria.

Among the numerous awards Ryman has won is the 'Innovation' category of the inaugural Victorian Chamber of Commerce COVIDSafe Business Awards in 2021.<sup>3</sup> This achievement came at a time when many aged care settings became a focal point of harsh criticism as a result of their performance during the pandemic.

The award recognised the innovative measures Ryman took during the pandemic, such as moving staff who were vulnerable to contracting the virus into its villages, developing a digital contact-tracing tool, and being the first aged care provider in Victoria to introduce rapid antigen testing of visitors.

The Incident Management Team leading Ryman's COVID-19 response was also a finalist in the 'Team of the Year' category at the 2021 Leading Age Services Excellence in Age Services Awards.

In New Zealand, its retirement villages were voted the best by Reader's Digest in 2022.<sup>4</sup> This is the sixth time the company has received the Quality Service Award. Additionally, the publication has named Ryman the Most Trusted Brand in aged care and retirement living eight times in the past nine years.

There are many ways to deliver aged care in Australia that can be adopted by others, but we believe that a large contributing factor to our outstanding performance and recognition among industry and government is our "continuum of care" model.





# Australia's aged care system is in trouble

The term “crisis” is now almost universally associated with any discussion of aged care in Australia. The issues are many and varied, making a simple solution or even a summation of the problems almost impossible. The COVID-19 pandemic has only exacerbated these issues, placing further pressure on the pace of reform to ensure the long-term viability of the aged care industry in Australia.

At a very high level, the challenges facing the industry can be summarised into four, interrelated categories:

1. **Demand** – Australia is ageing and customer expectations are increasing, rapidly
2. **Operator viability** – the industry is significantly under-funded, increasing the risk of operator failure
3. **Structural instability** – significant regulatory reform following the Royal Commission into Aged Care Quality and Safety and increased expectations on operators is adding significant pressure on the industry
4. **Workforce challenges** – a declining workforce ratio, insecure work and low wages are turning people away from the industry.

Finding solutions to the problems facing the aged care sector will require a range of policy responses and there will be significant debate on the best way to approach these issues. But there is no debate that at least two things are true:

## The costs of supporting an ageing population continue to increase.

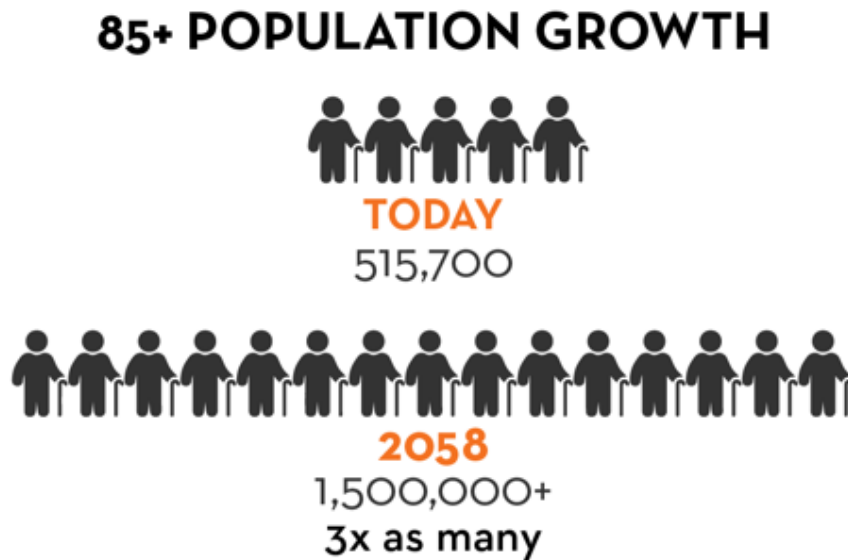
With state and federal governments having neither the funding nor the will to step in and take over, private operators – whether they be not-for-profits, publicly listed or private groups – need to be supported and encouraged to continue to deliver services.

## Doing nothing is not an option.

Failing operators and declining services in an era of exploding demand will result in significant and untenable pressure on an already stretched health and housing system.

## Australia is ageing rapidly – and demanding more from aged care

The number of Australians aged older than 85 years is estimated to almost triple from 515,700 in 2018–19 (2.0 per cent of the population) to more than 1.5 million by 2058 (3.7 per cent of the population).<sup>5</sup> This change is already underway. From June 2019 to June 2020 alone, Australia’s population aged 65 years and over increased 3.6 per cent, or nearly 146,000 people.<sup>6</sup>



**Figure 1: Australia’s ageing population**

A “cohort” approach to predicting life expectancy (which uses the probability of a person from a given cohort dying at each age over the course of their lifetime) suggests that the average Australian life expectancy for a person born in 2012 is projected to be 94 years for a girl and nearly 92 years for a boy.<sup>7</sup> By this measurement, the average Australian is likely to live 28 years after they reach retirement aged 65.

This has implications for policy makers across government, none more so than in aged care. To meet the future demand for residential aged care in Australia, the sector needs to build 79,000 places over the next 10 years, with 60,000 places (or one quarter of all existing places) needing to be rebuilt or refurbished over the same period.<sup>8</sup>

Consumer preferences and expectations are also shifting rapidly.

The Baby Boomer generation is starting to enter the aged care system and has a different set of expectations to what might have been classed as “quality” aged care in the past. Many have helped their parents through the aged care journey – and did not like what they saw.

There is no one-size-fits-all model. Many people would like to grow old in their own home with the care and supports to come to them as required, hence the appropriate investment and growth in home care funding (Australian Government spending on home care and support services was \$7.8 billion in 2020-21, a 64% increase from 2016-17<sup>9</sup>). But there will also be those who need or desire a residential aged care experience. Higher care needs, specific dementia housing or the ability to downsize while remaining close to loved ones will always be there.

In response to changing preferences, the traditional retirement village – characterised by villas built on the suburban fringe – has made way for inner-city high rise villages in high value areas, close to where people have always lived, or for beachside resort communities with high quality communal facilities. All are competing on quality of life, amenities, community activities, and in the case of Ryman owned and operated villages, aged care.

Unusually, in Australia retirement living legislation and aged care legislation are not synchronised, and reside in different jurisdictions (state and federal respectively). This has created a fragmented industry and can lead to stressful and unnecessary obstacles for residents on their ageing journey.



## The challenge of transitioning from retirement living to aged care:

Exiting a retirement village can be as difficult as entering one.

Residents moving from retirement living to an aged care home can opt to pay for their care by refundable lump sum, or a daily accommodation payment (DAP). However, the refund from the sale of retirement living property is generally not paid until the unit has been sold, which on average takes a little over nine months.

This means aged care residents either have to find other savings to fund their care, or the retirement village operator may be required to pay the DAP while waiting for the unit to be sold (with the amount deducted from the resident's village refund).

The complexity and timing of financial transactions can add to what is often an extremely stressful situation for residents and their families – especially when the move to aged care is prompted by a significant health event.

Now is an ideal time to broaden the debate from an either/or discussion on home or aged care, private home or retirement village, to consideration of a new category of integrated communities that provide housing suitable to taste, budget and need.

## Funding and viability in aged care

A significant portion of the Australian Government's health spending goes towards the aged care system. In 2020-21, the Australian Government spent \$24 billion on aged care, including \$14.3 billion on residential aged care, and \$7.8 billion on home care and support services.<sup>10</sup> This represents a 26 per cent increase from 2016-17.<sup>11</sup>

Furthermore, while the number of elderly people and the associated aged care costs are rising, user contributions as a proportion of provider revenue have declined. It is noted that they are not mandatory in home care and limited in residential care situations.

This means that aged care is heavily and increasingly reliant on Government funding, which comprises approximately 67 per cent of all revenue in the sector.<sup>12</sup> It's still not enough and could be mitigated if residents were better able to pay for the level of care they want and can afford.

In the 2021-22 Budget the Australian Government allocated a record figure of \$17.7 billion in additional funding to aged care, based on a five-pillar, five-year plan. A further \$632.6 million was announced by the Health Minister in December 2021.<sup>13</sup>

Despite this, at 1.2 per cent of GDP, current Australian Government spending on aged care is one fifth less than other OECD countries, which on average spend 1.5 per cent of GDP.<sup>14, 15</sup>

**The bottom line is that the aged care sector in Australia is largely unprofitable and underfunded, with most providers experiencing a deterioration in their financial performance.**

The March 2022 *Stewart Brown Aged Care Financial Performance Survey* identifies that 64 per cent of providers operate at a significant loss, with many facing insolvency.<sup>16</sup> Most must then reduce expenditure, with the inevitable consequences of reduced service capacity or quality.

Further, without access to a reliable source of capital, aged care providers are unable to fund development of new facilities or the refurbishment of ageing and outdated ones.

Most providers rely on Refundable Accommodation Deposits (RADs) as their main source of capital – more than half (56 per cent) of sector assets are funded by RADs and only about 20 per cent is retained in cash.<sup>17</sup>

With the Royal Commission into Aged Care Quality and Safety recommending the phasing out of RADs commencing in 2025<sup>18</sup>, a significant source of capital will be removed, creating additional challenges for an industry already in a dire financial position.

## Structural instability – increasing pressure on all stakeholders

The Royal Commission argued that Australia’s aged care industry is not currently fit for purpose, and recommended wide-ranging reforms.

The Government response so far has focused on addressing quality and governance; increasing requirements on operators for more care minutes, more nursing and improved nutrition; increasing penalties for bad operators and establishing new independent bodies and councils to advise on and update the increasing regulation.

With the *Aged Care and Other Legislation Amendment (Royal Commission Response) Bill 2022* being approved by Federal Parliament on 2 August 2022, a major milestone has been reached and many of these changes are now law.

While these changes are welcome, they will add significant management overhead, require additional staff, add more cost to deliver and, for older or smaller operators with limited ability to update systems and processes (let alone refurbish outdated facilities), will increase pressure on them to leave the industry altogether.

The impacts of the regulatory response therefore require careful consideration to ensure improvements are implemented not only at pace, but sustainably.

Further, over the longer-term greater consideration needs to be given to the balance between legislating punitive measures to drive better quality of care and incentivising the delivery of that care.



# Workforce challenges

The ratio of workers to the number of people aged over 65 is declining significantly. While in 1975 there were 7.1 people in the working age population for every person of retirement age, this is projected to decline to just 2.7 people by 2055.<sup>19</sup>



**Figure 2: Australia’s declining workforce ratio**

Additionally, historically low unemployment levels combined with the damage suffered by the sector from the COVID-19 pandemic and the industry’s reputation for insecure work has meant that the number of young people entering the aged care workforce is declining.

Wages are a key area of focus, with unions submitting a case for a 25 per cent pay rise for care workers<sup>20</sup> (yet to be determined by the Fair Work Commission at the time of publication). This increase would bring aged care workers’ remuneration in line with those in the broader healthcare system. Ryman supports this outcome and welcomes the Federal Government’s commitment to funding the pay increase<sup>21</sup>.

The industry also relies heavily on immigration to source nurses and aged care workers, with migrants representing around 30 per cent of the workforce prior to the COVID-19 pandemic<sup>22</sup>.

With migration numbers remaining low following the re-opening of Australia’s borders in 2022, sourcing sufficient numbers of skilled aged care workers remains a significant challenge for the industry.

# Reform is welcome, but needs to look to the long-term

The Royal Commission revealed the failings of a system which is perennially under-resourced, despite record levels of Government investment, which is the main source of aged care funding. Australia's aged care system is not fit for its current purpose, let alone the increased demand of the future.

As the Royal Commission identified, after adjusting for inflation Australian Government spending on aged care will increase by 4.0 per cent a year, growing 1.3 per cent faster than all other Government spending.<sup>23</sup> By 2030-31, aged care will account for 5.0 per cent of all Australian Government expenditure compared to 4.2 per cent in 2018-19.<sup>24</sup>

In a study supplied to Ryman Healthcare, StewartBrown has calculated that the industry requires nearly **\$9.4 billion** in extra revenue annually just to sustain the sector, meet home and residential care needs, deliver quality and competitive initiatives, and maintain a skilled and sustainable work force.

This includes \$3.7 and \$1 billion, respectively, for residential and home care worker pay, \$2.8 billion to ensure residential aged care workforce sustainability, and \$1 billion to meet the target minutes of contact between resident and carers and ensure a 24/7 registered nurse roster.

Without this funding, it is highly likely that as struggling providers attempt to stave off insolvency and find cost efficiencies, the quality of care will be compromised and the Government's reform agenda will be stifled.

Both the former and current Federal governments have responded to the Commission's 148 recommendations<sup>25</sup>, including the \$17.7 billion, five pillar package announced by the former government in the 2021-22 budget, and the current government's passage of the *Aged Care and Other Legislation Amendment (Royal Commission Response) Bill 2022*.

However despite these significant advancements, the long-term viability of the sector remains deeply uncertain. If the system is to be meaningfully and sustainably improved, it will require similarly long-term reform planning and proposals, not just budgetary responses.

To rectify the systemic issues afflicting the sector, we believe Australia would benefit from considering new models. Countries such as Germany and Denmark are exploring new approaches that are worthy of consideration.

Much closer to home, New Zealand's continuum of care - introduced to Australia by Ryman Healthcare - is a tried and tested model, and already successfully operated in Victoria.

## Continuum of care – a New Zealand example

The continuum of care model was pioneered in New Zealand by Ryman in the 1980's and 90's, with a vision to improve the quality of residential aged care that would be “good enough for mum”. The model was developed with the resident journey in mind, but also in part due to the funding for aged care not fully keeping up with costs.

Now widely adopted across all of New Zealand, under the model aged care is not directly subsidised, however its costs are offset by the efficiencies provided through the sharing of fixed costs via the co-location of retirement living, serviced apartments and increasingly home care. These include shared facilities, care staff, property maintenance and operational expenses.

Further, by diversifying revenue streams through strategically complementary assets and businesses (e.g. the development of retirement living property and sale of occupancy rights), and not basing income on the provision of one service or product, operators of the continuum of care model like Ryman are financially sustainable and not directly dependent on government funding.

This is important to ensure the long-term viability of the industry. New Zealand faces similar economic and demographic pressures as Australia that inevitably impact aged care funding, but the continuum of care model is allowing operators to take a long-term view towards looking after their residents, while addressing short-term headwinds.

The New Zealand model has further evolved in the last decade to allow operators to provide a ‘premium’ aged care offering in response to consumer demand, where residents with the means to do so can elect to pay additional fees on a larger premium room.

In New Zealand, Ryman operates the largest number of villages and with an average of 196 units per village, the biggest<sup>26</sup> - with all of them incorporating a care offering.<sup>27</sup> While this is the largest proportion of any provider, the next four largest operators in the country - Bupa, Oceania, Arvida and Summerset - likewise provide a care offering in 70-80 per cent of their sites.<sup>28</sup>

Over 14 per cent of New Zealanders aged over 75 are now living in continuum of care retirement villages, which constitute seven per cent of all new homes built each year in the country.<sup>29</sup>

This supply helps meet the housing demand requirements of the growing elderly population that is fit for purpose and requires less maintenance while also freeing up housing stock in the community. It also encourages appropriate intensification of development that helps ease pressures on urban sprawl. Most importantly, the sale of occupancy rights allows operators to invest in, deliver and expand care services of the highest quality.

The benefits of continuum of care also cascade through the wider health system. Ryman retirement villages have nurses on site 24 hours a day, in addition to other specialists dedicated to the unique treatment demands of the elderly. Staff are fully trained and equipped to monitor residents’ health in real time and mitigate potential adverse outcomes before they occur.

In this way a continuum of care environment provides a measure of preventative health care and, by providing these capabilities at the place of residence, emergency trips and stays in hospital settings are reduced, freeing up beds and resources in the public system.



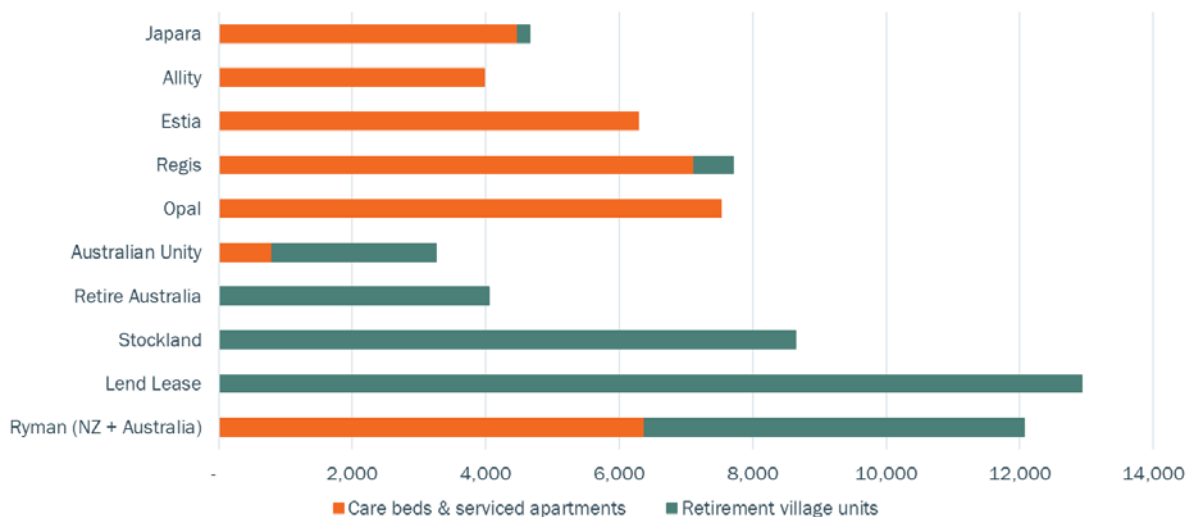
## Ryman's continuum of care model – how it works

Offering aged care and retirement living is at the core of Ryman's "continuum of care" and allows the company to offer agreements that are some of the most resident-friendly in the Australian market. Independent residents enjoy all the benefits of a modern retirement living community and have a clear pathway to increase their level of care and support if and when they need it.

Each Ryman Retirement village is made up of four parts, all co-located on one site:

- 1. Independent retirement living** – apartments and villas operating under the state-based Retirement Villages Act
- 2. Assisted living in serviced apartments** – independent living under the state-based Retirement Villages Act, with privately funded weekly services including meals, cleaning and other supports (increasingly subsidised by Home Care Packages or the Commonwealth Home Support Programme (CHSP) if applicable)
- 3. Home care** – a range of services provided by Ryman staff to independent and serviced apartments, including a full range of nursing and clinical services; and
- 4. An aged care facility** – governed under the federal Aged Care Act, with low, high and dementia care up to 190 beds in size.

When a resident moves to a Ryman retirement village, they can choose any one (or more if a couple) of the three accommodation types and two care delivery methods depending on their level of need. A resident moving into an independent apartment or villa in the retirement village uses the proceeds of the sale of their home to purchase an occupation right for life. This includes a 20 per cent deferred management fee (DMF), calculated on the entry price, that is paid on exit from the proceeds of the sale of the occupancy right to the next resident, calculated over 5 years. The resident pays weekly fees to cover rates and community facilities costs, which are fixed for the life of the contract (a unique Ryman feature that provides a comfort guarantee.)



**Figure 3: Continuum of care is unique in Australia**

Source: Company data, Aged Care Services List, Australia

A resident requiring more care may choose a serviced apartment. The occupancy right contract is the same, however the weekly fee is higher and includes the provision of meals, cleaning, care services and the availability of 24 /7 nursing if required. The fees are privately paid, however increasingly some customers with access to Home Care Packages are subsidising their fees with the support they receive.

For those residents with the highest need, they can choose to move into the aged care facility - either from within the village or serviced apartment, or directly from their family home. Residents use the proceeds of the sale of their home or occupancy right to either pay a Refundable Accommodation Deposit (RAD), which is a lump sum option, or a Daily Accommodation Payment (DAP) equivalent, which is a weekly rental option, or a combination of both. They are paying for a lifetime occupancy of their apartment or unit and the RAD is refundable in full on exit. Hotel services are covered by their pension (fixed at 85% of the national weekly pension) and care services are covered by the government and assessed based on individual need (currently funded by the Aged Care Funding Instrument, or ACFI, but soon to move to the Australian National Aged Care Classification, or AN-ACC).

This model is unique for three reasons.

1. At 20 per cent, the DMF is one of the lowest on the market, meaning more of the money paid as an occupation right is returned to the resident on exit, either to pay for an Aged Care RAD or to return to the resident's family.
2. The DMF is calculated on the entry price, not the exit price as most operators in Australia do, which again returns a higher sum to the resident or their next of kin.
3. When a resident leaves a Ryman retirement village, the company guarantees repayment of their original capital sum (less the DMF) within six months or when the unit is resold - whichever comes first. This sets Ryman apart from other operators, who do not repay the resident until the unit is sold to the next resident, depriving them of much needed funds to facilitate their next move.

These features are important in the continuum of care lifecycle as it makes it easier for the resident to fund the next stage of their ageing journey.



# How continuum of care can solve the aged care crisis

The continuum of care model, as implemented by Ryman Healthcare in Australia, offers significant benefits that can address many of the issues outlined earlier in this paper.

Ryman's continuum of care model offers:

- A more efficient use of capital and improved economics of service delivery
- Better outcomes for residents
- A better model for Home Care
- Built in incentives to ensure quality
- Investment in governance and quality control to meet or exceed new sector standards
- A skilled and sustainable workforce.

## Efficient use of capital and improved economics of service delivery

Having an integrated retirement village and aged care facility increases efficiency. Costs, facilities and staff can be shared across up to four business units (retirement village, aged care, serviced apartments and home care). Maintenance and operational expenses are also shared, and are consequently lower.

Indirectly, while aged care is not directly subsidised, its costs are offset by the efficiencies afforded through co-location with retirement living.

By diversifying revenue streams through the development and sale of property, private fee-paying serviced apartments, and government funded care options, and not predicating income on the provision of care alone, operators of the continuum of care model like Ryman are profitable, allowing them to further invest in high quality aged care residents need.

Capital can be deployed efficiently to build higher quality, yet fewer communal facilities. For example, only one high quality pool, reception, cinema, craft room, gym etc. need be built to serve both the aged care and retirement village residents, as opposed to amenities being duplicated across stand alone facilities. This means a higher quality outcome, which drives improved customer demand.

For the nine months to March 2022, 38 per cent of aged care homes recorded an operating cash loss in Australia.<sup>30</sup> Conversely, in the 2022 financial year Ryman posted net operating cash flows of \$586.0 million, up from \$413.1 million the previous year.<sup>31</sup> Ryman has demonstrated significant profit and share price performance since its inception and has not had to raise capital since the company's Initial Public Offering in 1999.

The integrated continuum of care model gives Ryman the flexibility to fund innovation and continually enhance the quality of its care and services, which would not be affordable through residential care funding alone. A standalone residential aged care provider could not justify its level of investment, and the company would not consider building a standalone residential care facility.

Simply put, continuum of care is demonstrably profitable. As a result, it alleviates the pressure on the public purse. In this way – and most crucially – through the generation of new retirement living housing stock, the model facilitates increased investment in aged care of the highest quality.

## Better outcomes for residents

Ryman's mission is to offer as many people as possible a retirement living and aged care option that's good enough for mum or dad. Fundamentally, the continuum of care model places people at the centre of their ageing journey and offers a desirable place to live first and foremost, with a high quality range of appropriate accommodation options as residents age, with the care to match at each stage. This is different than the current model in Australia of a disconnected and siloed series of accommodation and clinical responses to adverse health and lifestyle events.

Moving from retirement living to an aged care setting is often stressful as most moves to aged care are precipitated by a significant health event. The impact of this process can be particularly pronounced for couples when only one person needs aged care.

However, under the continuum of care model couples can stay together in the same village community and have certainty knowing that help is always available onsite. They can also be confident in the knowledge that as their individual care needs change, their living and personal circumstances don't have to.

In this regard, the model has tremendous benefits for the wellbeing of residents. With a third of all senior Australians living alone, loneliness, lack of companionship and difficulty engaging with wider society are all too common.<sup>32</sup> The relationship between mental illness and wellbeing and physical health is well-established, and residents of a Ryman village enjoy the increased connectedness resulting from an active and engaged lifestyle in a community setting.

In this way, the continuum of care model de-institutionalises care. There is a common perception that aged care settings are compartmentalised places separate from the community where the elderly are placed when they can no longer participate in society in the way they used to. Continuum of care is the inverse. A continuum of care setting is a community in its own right, and the natural extension of living an engaged life.

Residents want and expect high quality accommodation and care outcomes and see value in paying fairly for that. In fact, residents are demanding this, and yet the industry and current regulation are not flexible enough to cater for this need in kind. This expectation lends itself well to a more nuanced discussion across the industry as a whole in appropriate self-funding options, and the continuum of care model is one tried and tested model that can help meet that need.



Case study:

## **Graham and Helen**

Graham and Helen Ruthven moved into an independent apartment at Ryman's Weary Dunlop Retirement Village in Melbourne's Wheelers Hill together.

Helen was later diagnosed with dementia and moved into the village's special care unit when she needed extra support. Living in the same building meant Graham could stay closely connected to Helen while continuing to live independently in his own apartment. This is a hallmark of Ryman's continuum of care model.

Ryman's model made sure Helen had the care she needed as her health declined and Graham was surrounded and supported by friends when she passed away. Graham credits the ability to have his daily debrief over a glass of wine with friends in the village bar for helping him through the toughest period in his life.

## Efficiencies in funding of home care

As noted earlier in this paper, Government spending on home care and support services increased by 64 per cent between 2016-17 and 2020-21<sup>33</sup> – reflecting the desires of people to remain in their home as they age, rather than move to a residential aged care setting.

As retirement villages aggregate ageing populations in a specific location, this provides an efficient environment for the delivery of home care. Reduced travel times and the ability to run shifts in a line, combined with an ability to attract high quality staff, can deliver significant cost efficiencies for government.

Continuum of care sites offer even greater efficiencies, as the clinical resources required for home care package recipients are already on site.

For example, nurses are often required to manage medications. This task may only require 15 minutes – but most home care providers have a 2-hour service minimum, reflecting the need for staff to travel to the resident’s location. In a continuum of care environment, the 15-minute service can be offered, which means the resident gets the care they need while freeing up funding for other services they may require – increasing the value of the Government’s significant investment in home care services.

## Built-in incentives to ensure quality

A co-located retirement village and aged care facility provide a unique selling proposition to any new resident of retirement age. The main reason for a resident moving into a Ryman village is the “insurance policy” that comes with knowing that whatever happens as they age, they will be looked after in the same village.

For the model to work effectively, the quality of the aged care service needs to be very high. A retiree looking for an independent living unit will only move in if the level of aged care is at a standard that they themselves will feel comfortable moving into if the need arises. Furthermore, at that time the continuum of care model provides a great degree of flexibility in the sort of care provided, making choices much easier for residents, while the costs to transfer from one form of care to another is much less burdensome both logistically and financially.

In short, a co-located operator would not be able to sell retirement units unless the aged care quality was of a particularly high standard.

Continuum of care operators are directly incentivised to run highly compliant, high-quality facilities. This in-built incentive is significantly more powerful than punitive quality management regulations applied through legislation.

## Investment in governance and quality control to meet or exceed new sector standards

Governance in the aged care sector is oriented towards documented evidence of care provision. In most residential care settings in Australia this produces inordinate volumes of documentation. Staff are frequently and increasingly being diverted away from the critical function of caring for residents and spending a higher proportion of hours each day completing paperwork.

The process is laborious, inefficient and reduces the amount of time staff have with their residents.

The continuum of care model used by Ryman has allowed the company to invest in a far better suite of governance and quality control measures. For example, Ryman has introduced the digital myRyman platform to address this imbalance, minimise the administrative burden (meaning it already meets the new standard of 215 care minutes per resident, per day), and simultaneously provide a wealth of data to monitor and enhance its care offering.

At a Ryman village, a resident's care plan and implementation is tracked and monitored for compliance through a myRyman tablet in each resident's care setting. Instead of drawing staff away from residents to complete the administrative tasks of care, myRyman incentivises increased contact time by allowing data to be input in the presence of residents through the completion of tasks that form part of their care program. The digital platform can also be used to increase family interaction and agency in how their loved ones' treatment is progressing, increasing transparency between resident, carers and family.

This means that a wealth of clinical data is collected and interpreted in real time so staff can quickly respond to elements that require review, or attend to emerging needs.

## A skilled and sustainable workforce

A large focus of the Royal Commission's recommendations was the quality of the aged care workforce, inevitable given the events that precipitated it. Ryman welcomes the Government's acceptance of the recommendations to implement minimum staffing qualifications and levels across residential aged care services.

The Royal Commission recommended the introduction of Certificate III in Individual Support as a minimum qualification for all carers, but recognised that mandating such a standard may act as a barrier to entry. Ryman has long required that Personal Care Assistants hold a minimum qualification of Certificate III in Individual Support and long advocated elevating the obtaining of qualifications like these to an apprenticeship style of education with a greater emphasis on practical experience and occupational mentorship. To that end, Ryman's care units are managed by experienced nurses who provide a program of regular education for our carers, who undergo a thorough induction process.

The success of the continuum of care model has allowed Ryman to invest considerably in all aspects of its staff; something that Government funding cannot adequately provide for. Approximately 2.5 per cent of Ryman's staff, salary and wage expenditure is dedicated to education and career development.<sup>34</sup>

Ryman's first-of-its-kind training institute, the Ryman Academy, has been developed to deliver certification quality education to its workforce. Training is both position specific and vocational, and also covers topical aspects of aged care, such as dementia.

Continuum of care also provides a model to address job insecurity in the aged care sector.

Co-located facilities offer opportunities for carers to do more hours on one site, rather than being forced to get secondary jobs elsewhere. Facilities also require fewer casual staff, as additional work hours can be allocated beyond the morning peak in the aged care facility to provide home care and services for serviced apartments.

In a continuum of care facility, there is a much greater potential for carers and nurses to secure full or permanent part-time work with job security and consistent hours.





# Encouraging the growth of continuum of care in Australia

The success of Ryman's business and the continuum of care model in Australia means that we have historically exceeded the recommendations of the Royal Commission and stand ready to further implement these as Australia continues to reform its aged care sector.

Continuum of care can meet the needs of senior Australians, governments and taxpayers, and provide a platform for the long-term viability of the aged care sector as a whole.

There are a number of systemic changes that would facilitate the greater uptake of this tried and tested model in Australia, across three key areas:

- Legislative harmony
- Workforce development
- Incentivised development

## Examining legislative obstacles

### **Ensuring that state/federal regulations permit new models**

As noted earlier in this paper, in Australia retirement living legislation and aged care legislation are not synchronised, and reside in different jurisdictions (state and federal, respectively).

This can create significant complexity for operators, who must commit additional expense to effectively navigate the various retirement living regulatory regimes in each state.

It also has a significant impact on older Australians seeking to move from retirement living to residential aged care, given the different payment and refund requirements across the two systems.

Ryman recommends that, where identified, obstacles created by the regulatory division between retirement living and aged care are remedied. This could be through the harmonisation of legislation in a national regulatory regime, or some other form of synchronisation between them as they currently exist.

If removing regulatory obstacles and complexity assists in the further adoption of the continuum of care model, this could only serve to improve Australia's aged care system.

In light of the scope of the Royal Commission, it would be appropriate for this to be explored at a ministerial level across Australian jurisdictions.

# Workforce development

## **Clear training and immigration pathways for care and nursing staff**

As an employer of a highly qualified aged care workforce, Ryman welcomes recommendations to adopt minimum staffing qualifications across the sector.

The Ryman Academy has been developed to deliver certificate-level quality education to its workforce. Ryman has long required that Personal Care Assistants hold a minimum qualification of Certificate III in Individual Support and long advocated elevating the obtaining of qualifications like these to an apprenticeship style of education with a greater emphasis on practical experience and occupational mentorship. The Ryman Academy also offers Nurse Development education scholarships valued at up to \$10,000 per student.

Specific supports for accredited operators, such as Ryman, who help to develop skills in much needed staff for the industry would be welcome, to ensure we're growing the pool of resources and not just trying to recruit from the same limited pool of trained personnel.

For example, there should be acknowledgement that on-the-job training, which in a people service industry is vastly superior to classroom study, should be encouraged to improve quality of training outcomes.

To this end, Ryman welcomes the Victorian Government's announcement in August 2022 to fund 17,000 nursing student placements from 2023, and hopes that the scheme works closely with operators across the health spectrum to include on-the-job placement opportunities and career pathways.

Additionally, as the world reopens following the COVID-19 pandemic, consideration of more supported immigration and training pathways for both nurses and carers, under a supervised training and accreditation model, would assist in ensuring there are sufficient resources for a growing industry.

## **A level playing field on payroll and fringe benefits tax**

In the medium-term, a solution is required for long-discussed issues relating to payroll tax and fringe benefits tax inequity across not-for-profit and private operators in the sector.

Since the federally funded payroll tax subsidy was removed in 2015, private aged care operators have had to devote a significant portion of federal funding to paying state taxes, which reduces the ability to hire adequate staff and train them appropriately relative to non-for-profit operators. This built-in industry inequity should end. Similarly, extending FBT tax exemptions to staff across the whole aged care sector would greatly assist in attracting new workers.

# Incentivise development

## Enhanced planning pathways

Efforts have been made to create a planning environment which encourages the development of aged care facilities in established residential areas. Integrated living models within a community opens the doors for long-term investment and co-design by the community, from which everyone can benefit.

In recent years Victoria has made concerted efforts to encourage more residential aged care in areas with significant undersupply. In 2019 amendments to the Victoria Planning Provisions (VPP) were introduced to support a simpler and streamlined assessment process for residential aged care facilities.

Unfortunately, despite growing demand for such facilities, the provisions do not extend to continuum of care developments that incorporate both retirement living and residential aged care.

Due to the demonstrated need for more accommodation and care options, combined with the Government's focus on in-home care, consideration should be given to extending the priority sectors eligible for fast-track planning approvals. In Victoria, this could be done via DELWP's Development Facilitation Program, and include aged care developments such as Ryman's model of integrated residential aged care and independent living.

Creating greater incentives in the planning system for co-located retirement living and aged care facilities would be a welcome addition to the regulatory landscape both in Victoria and in other jurisdictions across Australia.

## Home Care Packages for retirement villages

One of Ryman's most unique and sought-after offerings are one-bedroom serviced apartments, which are specifically built with retirees or those requiring aged care in mind. In New Zealand, the Government's aged care funding is also available for serviced apartments, which are better able to address specific care needs of some residents.

In Australia, serviced apartments are governed under state-based retirement village legislation and as such do not attract residential aged care funding. This limits the assistance available to residents who may benefit from or prefer this option.

However, the introduction of Home Care Packages provides a way to facilitate a care delivery model to both serviced apartments and all independent apartments and villas in a retirement village.

A Home Care Package specifically for the needs of retirement village residents would aid the adoption of the continuum of care model by expanding the options available for the development of sites and provision of aged care within them. The savings achieved across the system by wider adoption of the continuum of care model and more efficient service delivery (given the proximity of residents to care staff), would potentially fund this new package.

It is recommended that this issue be considered as part of the development of the proposed new Support at Home program.

## Long term funding reform: co-contribution / deregulation of hotel services

In Recommendations 128, 138 and 140 of the Royal Commission report<sup>35</sup>, Commissioners Pagone and Briggs made various (and differing) recommendations regarding long-term funding reform for the aged care sector, including options for aged care residents to contribute to the costs of their accommodation.

If the sector is to improve, grow, and ultimately meet the demands that will be placed upon it, new innovative models of aged care – such as continuum of care – must be incentivised.

One such suggestion is to reconsider appropriate co-contribution models that ensure care delivery is consistent across all Australians as they age, whilst enabling ageing Australians to fund the type of accommodation that they prefer to suit their particular tastes and requirements. An appropriate co-contribution model would take the pressure off the need for government funding, while maintaining Australia's cherished safety net and equitable health care provision. It would also provide the capital and operating returns providers need to invest in sustainable new facilities and services that meet a diverse range of needs.

There are a number of ways to achieve this, including the implementation of retirement village style deferred management fees on aged care accommodation, premium fees, deregulating the basic daily care fee, or better legislating the additional care fees model already being implemented across Australia.

Ryman recognises that any such change will require careful consideration and take time to deliver, however it is important to commence this conversation if Australia's aged care sector is to be financially viable and able to meet the needs of our ageing population over the long term.



## Conclusion

The challenges facing Australia's aged care sector are significant and varied – as are the policy and funding responses needed to address them.

However, since arriving in Australia in 2014, Ryman Healthcare has demonstrated that there is a model for the delivery of aged care that is not only of the highest quality but is financially viable for operators while also delivering a better return on investment for government.

Continuum of care offers a tried and tested solution to support the delivery of the Australian Government's aged care reform agenda, and Ryman is pleased to add its voice to this important national policy conversation.



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