



# Quality of care and financial outcomes of home care providers in regional, rural and remote Australia

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# Agenda

- What are we interested in?
- Method
- A Business Model framework
- What was said at the Royal Commission
- Tensions and pressure points with the Business Model – A providers perspective
- What data says about financial outcomes
- What data says about quality outcomes
- What's next – Support at Home



# What are we interested in

- There has been much suggestion that the challenges facing home care services in regional, rural and remote areas are particularly acute and worsening.
- The aim and contribution of this research is to provide more detailed insight into the factors influencing the quality and financial viability of home aged care services in regional, rural and remote Australia.



# Method

**Stage 1** - Content analysis of evidence at the RCACQS, mapping this to business models, which provided a diagnosis of the challenges in delivering high quality, financially sustainable home care services in regional and rural Australia.

**Stage 2** - Examined the tension points with home care service provision in non-metropolitan areas from the perspective of a provider organisation.

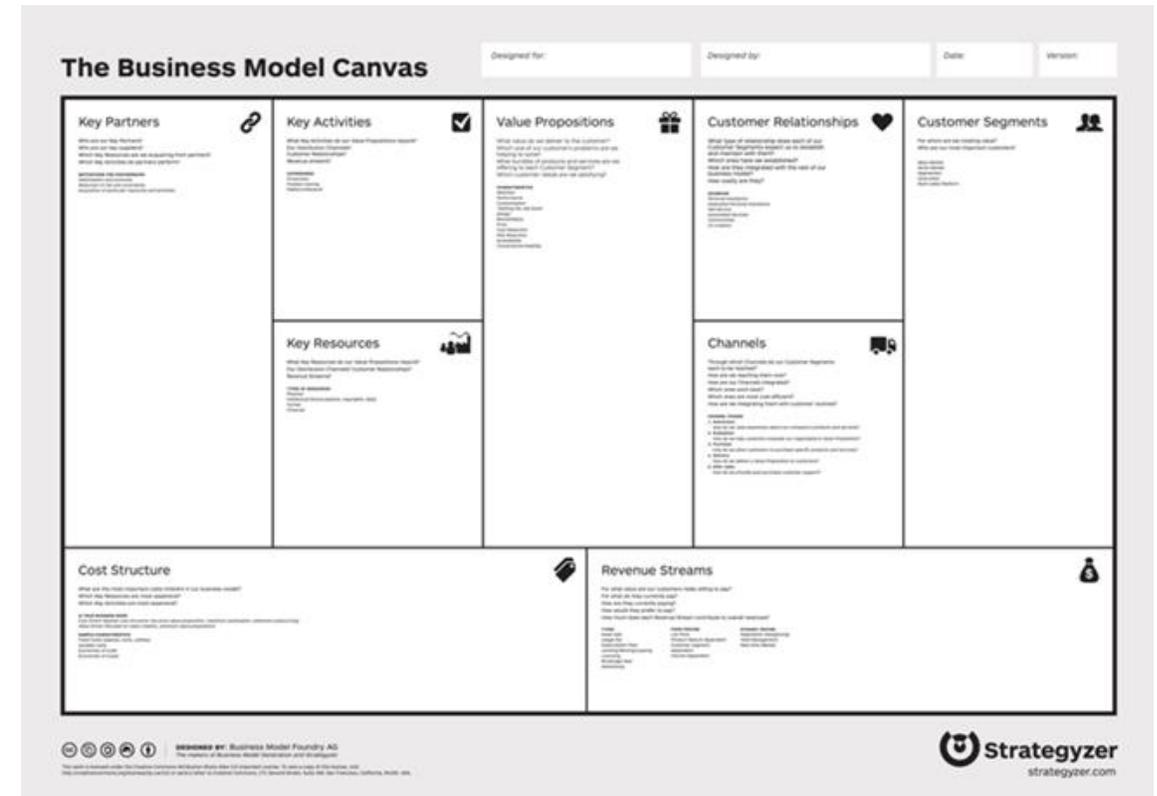
**Stage 3** - Detailed statistical analysis of factors associated with financial and quality outcomes for regional home care providers using retrospective data obtained under the legal authority of the RCACQS.



# A Business Model framework

‘A business model constitutes the key **components** and core **logic** for how organisations can **create value for consumers** and then **capture some of this value for owners**’ (McAllister et al 2021)

Provides a holistic description of an organisation and its components.



# A Business Model framework - Outcomes

## Value creation

The overall value created by the firm for its customers for which the customer is willing to pay.  
(Lepak et al 2007; Pitelis 2009; Neilsen et al 2019).



## Value capture

What customers pays and how much is retained within the organisation.  
(Lepak et al 2007; Taran et al 2016; Massa et al 2017; Neilsen et al 2019).



# What was said at the Royal Commission

## Challenges in value creation

- A large number of recipients who are eligible to receive services do not in fact receive services under the current home care.
- As an interim, some customers are allocated Home Care Packages but at a lower level than actual need.
- The services provided to Home Care Package customers are often of poor quality.

## Challenges in value capture

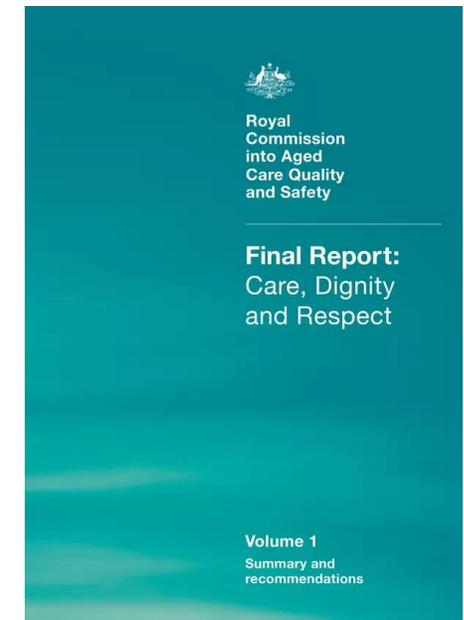
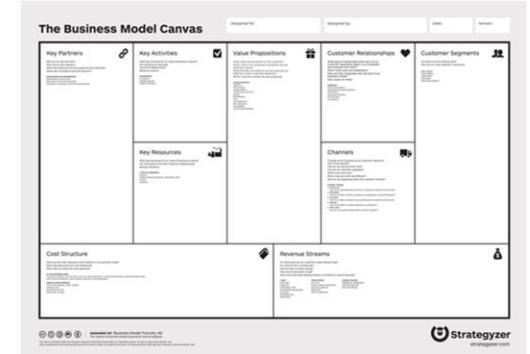
- Many providers in the sector are failing to capture sufficient value from the delivery of services.
- Financial performance - there has been a decrease in profitability over the past three years, with the profit margin decreasing considerably from 10.7% in FY2017 to 3.7% in FY2019 (BDO, 2020, p. 59).
- 216 home care providers (29.5%) were assessed as 'not profitable' (BDO, 2020, p. 65).



# What was said at the Royal Commission

## Problems with business models in Rural and Regional Australia

- **Cost structures**, including scale of services, distance and travel, operating costs.
- **Revenue**, including irregular income.
- **Key resources**, including workforce shortages and safety, difficulties with recruitment, and limited technology use due to poor internet access.
- **Activities**, including risk of service failure and limited access to allied health.
- **Networks**, including emphasis on competition rather than collaboration.
- **Customers and customer relationships**, including limited consumer choice, sole provider pressures, and consumers' care package access difficulties.



# Tensions and pressure points with the Business Model – A providers perspective

## Revenue streams

Managing the client pipeline, and balancing supply and demand, is a challenge.

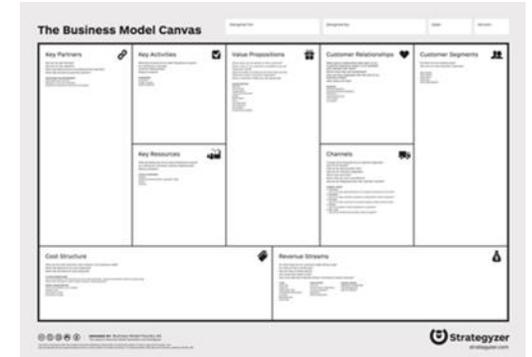
Client retention is important – high costs of on-boarding.

Unspent funds in clients' home care package as no service provider available.

## Funding reform

Funding models support integrated care - siloing of health and aged care funding is impeding quality services, and health and wellbeing outcomes.

Funding models need to acknowledge that it is not possible to deliver complex care on a low care budget.



## Tension point

The release of more home care packages by Government, as part of its response to the Royal Commission recommendations, will boost the client pipeline. However, there is insufficient workforce (especially in regional, rural and remote locations) for providers to be able to service these additional packages and build their revenues.

# Tensions and pressure points with the Business Model – A providers perspective

## Costs structure

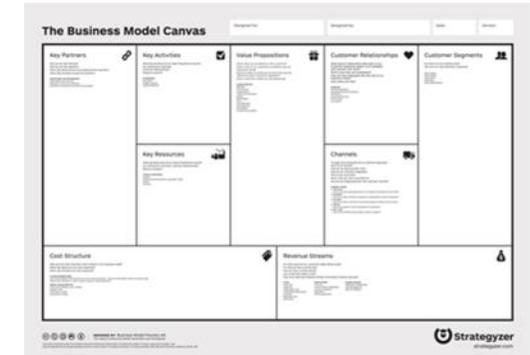
### *The impact of geography*

Travel time and associated non-recoverable costs

Travel conditions – type of vehicle requirements

Increases costs of external suppliers e.g. home modifications

Lack of community resources available



## Tension point

The suggestion is that technology offers solutions to some of the barriers that exist for regional, rural and remote providers in delivering high quality and financially viable home care services – however there is a high cost to providers in implementing online systems.



# Tensions and pressure points with the Business Model

## Customer relationships

- The difficulty of retaining a sufficient workforce flows through as disruption for clients and inconsistency in service delivery.
- Contract staff is sometimes necessary to manage staff shortages or absences impacting the extent to which clients see the same staff consistently and tailoring to individual needs and noticing changes in health or wellbeing



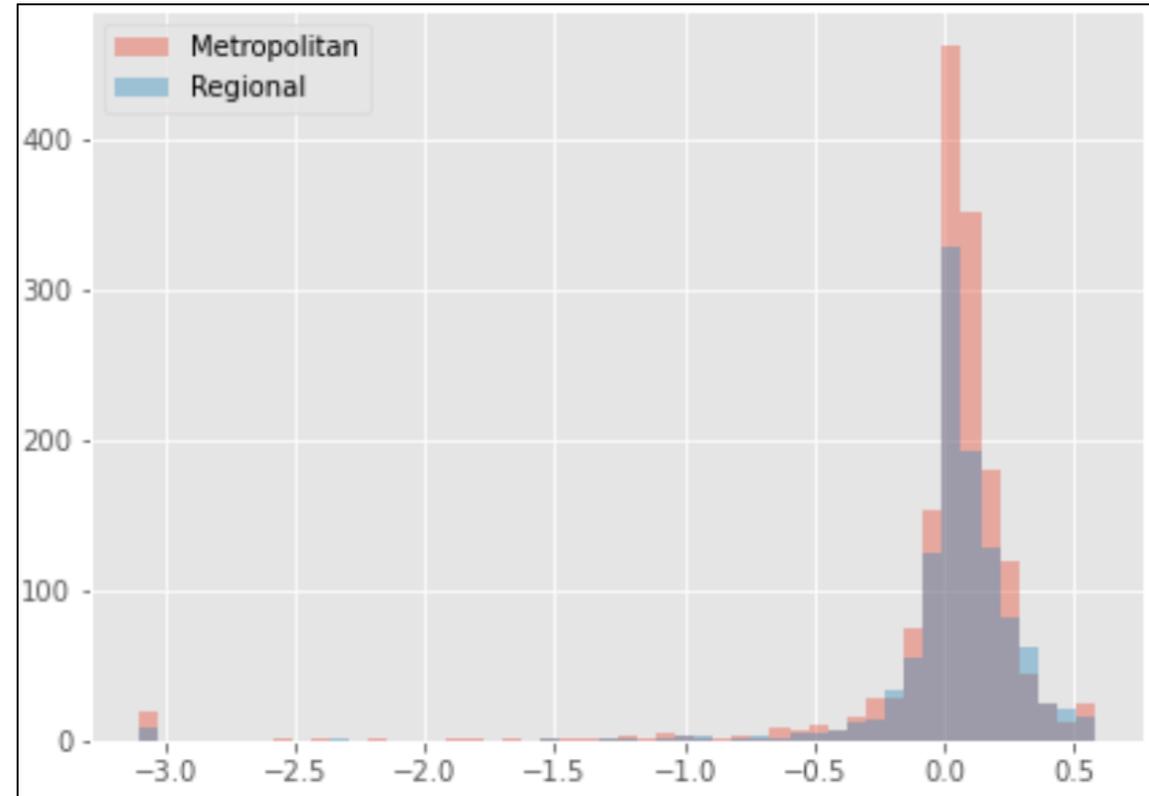
## Tension point

Client directed care is intended to provide clients with greater control and choice about their care and a more personalised type of care. Paradoxically, though, there are aspects of client control that make it more difficult for organisations to provide consistency of care. Clients can cancel services at the last minute which means that staff rosters can change 'at the drop of a hat'. This can contribute to staff dissatisfaction and ultimately staff turnover. Client cancellations also reduce the revenue available to provider organisations, which impacts on their financial and operational viability.

# What data says on financial outcomes

## Provider profitability

- 58.6% of providers operate solely within a metropolitan area
- 52.4% operate a single facility
- 27.7% of providers report a loss for the year
- Metropolitan operated providers more often generate smaller profits (above but close to 0%).

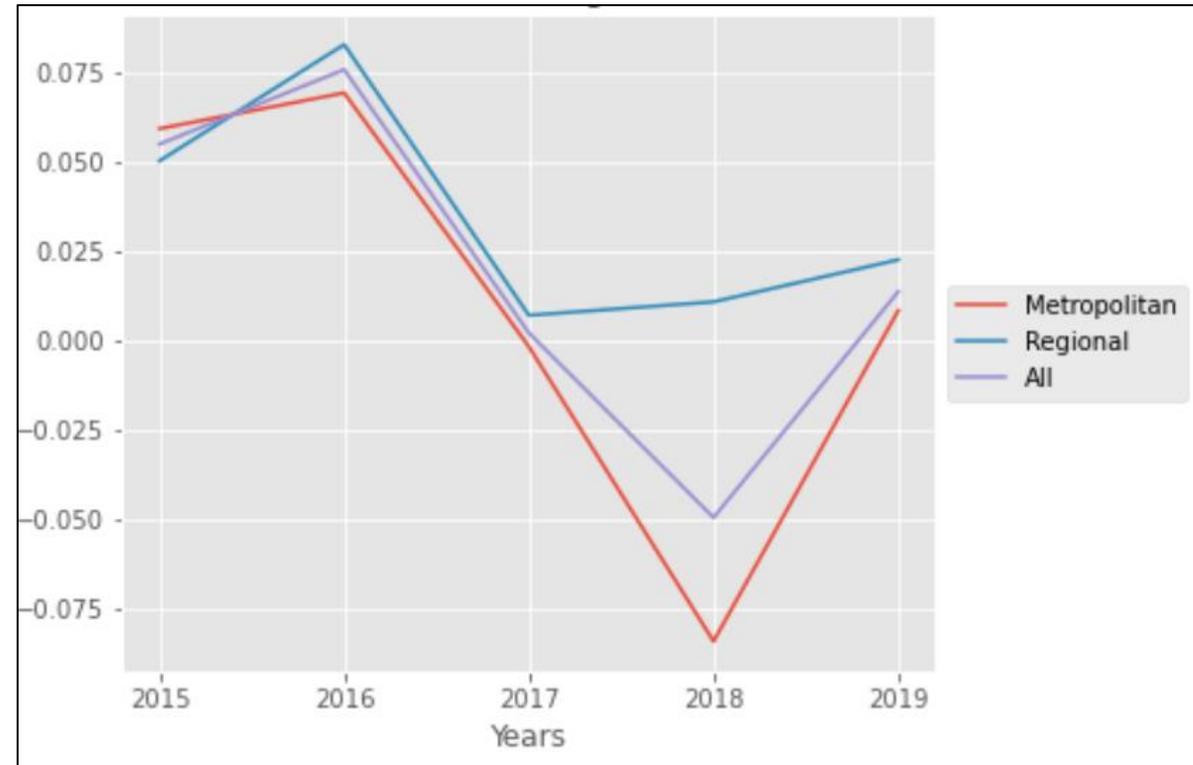


Profit Margin (PM NPBT) by provider location

# What data says about financial outcomes

## Provider profitability

- Declining profitability across the sector with the declines greatest among metropolitan providers.
- Regional providers have higher profitability with profit margin using net profit before tax of 3.1% relative to -0.6% for metropolitan counterparts.
- However, 28.9% of regional providers reported a loss while only 26.9% of metropolitan providers reported a loss suggesting a larger disparity in performance for regional providers.

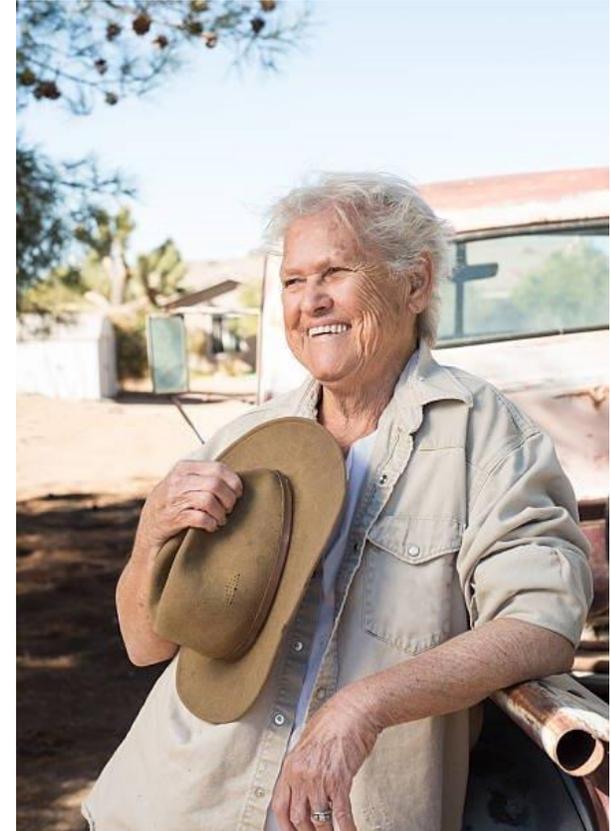


Profit Margin by year and provider location

# What data says about financial outcomes

## What explains the differences?

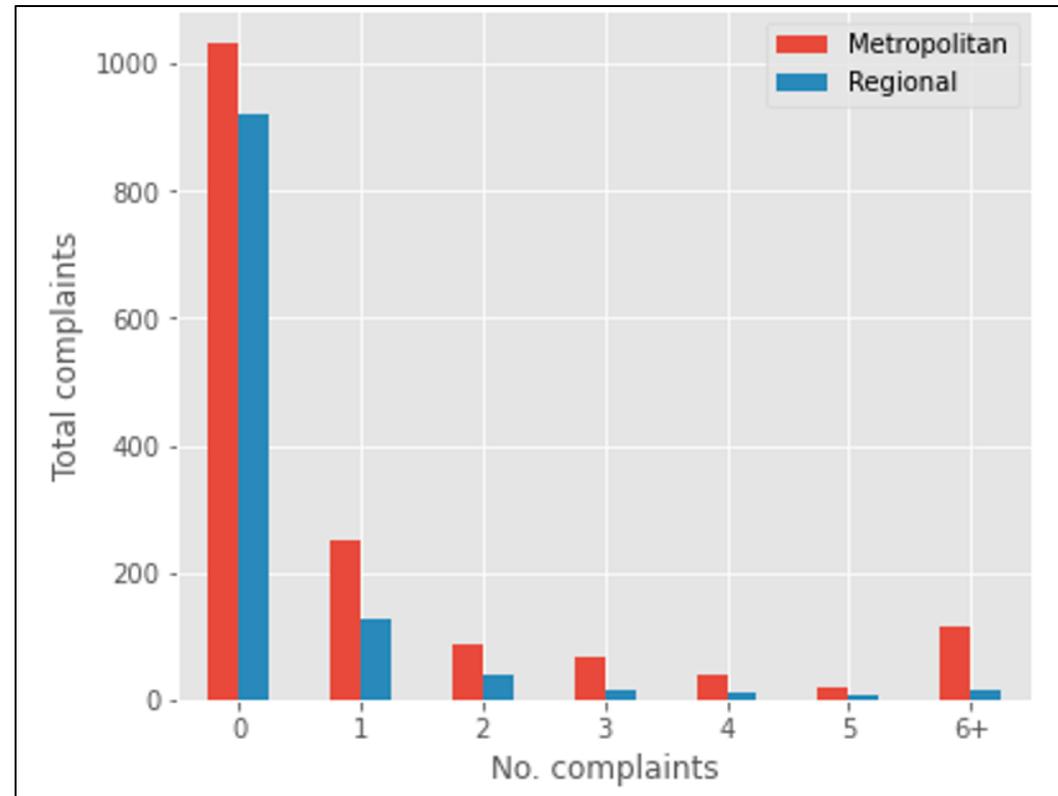
- Compared with metropolitan providers, regional providers collect less revenue from care charges, administrative fees but collect more revenue from government subsidies.
- Regional providers incur fewer wage expenses for administration staff and outsourcing of care staff, but incur higher care related costs and other miscellaneous costs.
- The results suggest that regional providers are more reliant on government funding and benefit from lower labour costs but appear to incur other non-wage costs.



# What the data says about quality outcomes

## Number of complaints

- Regional providers tend to receive fewer complaints with the largest difference observed for providers receiving six or more complaints suggesting regional providers supply higher quality of care services.

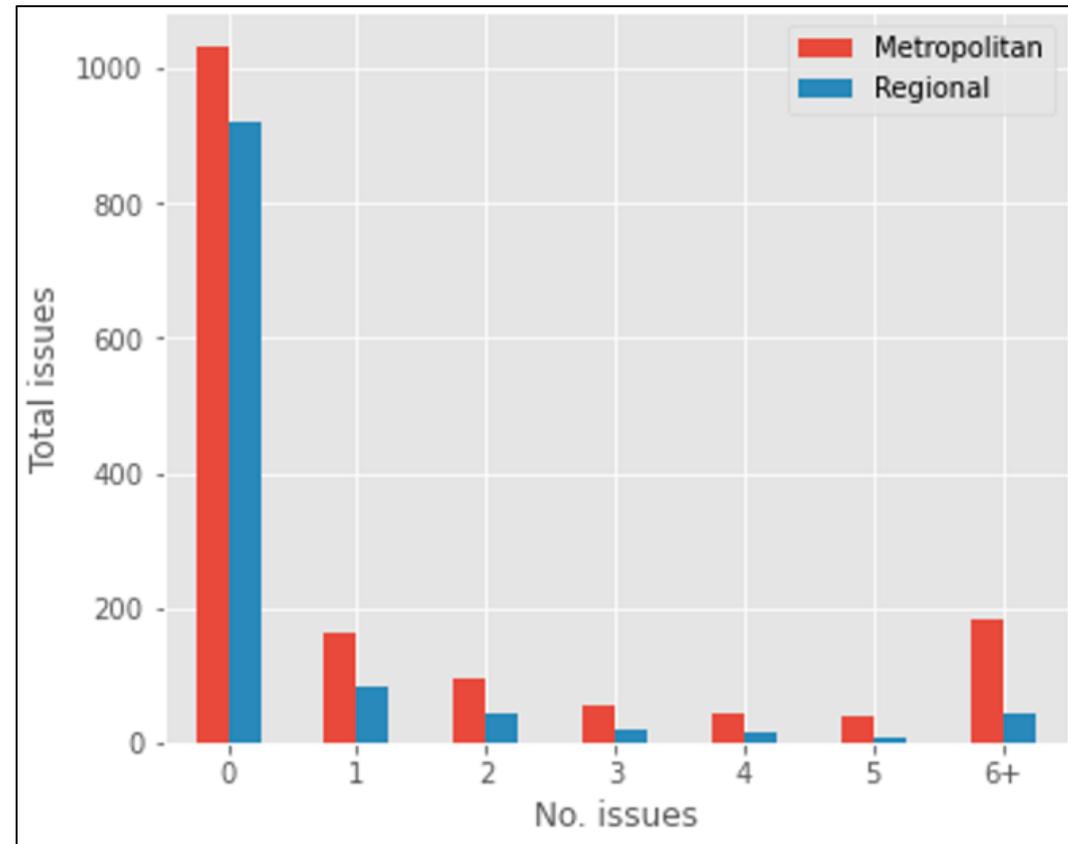


Distribution of providers by the number of complaints received and location

# What data says about quality outcomes

## Number of Issues

- Regional providers tend to have fewer complaint issues with the largest difference observed for providers receiving six or more complaints suggesting regional providers supply higher quality of care services.

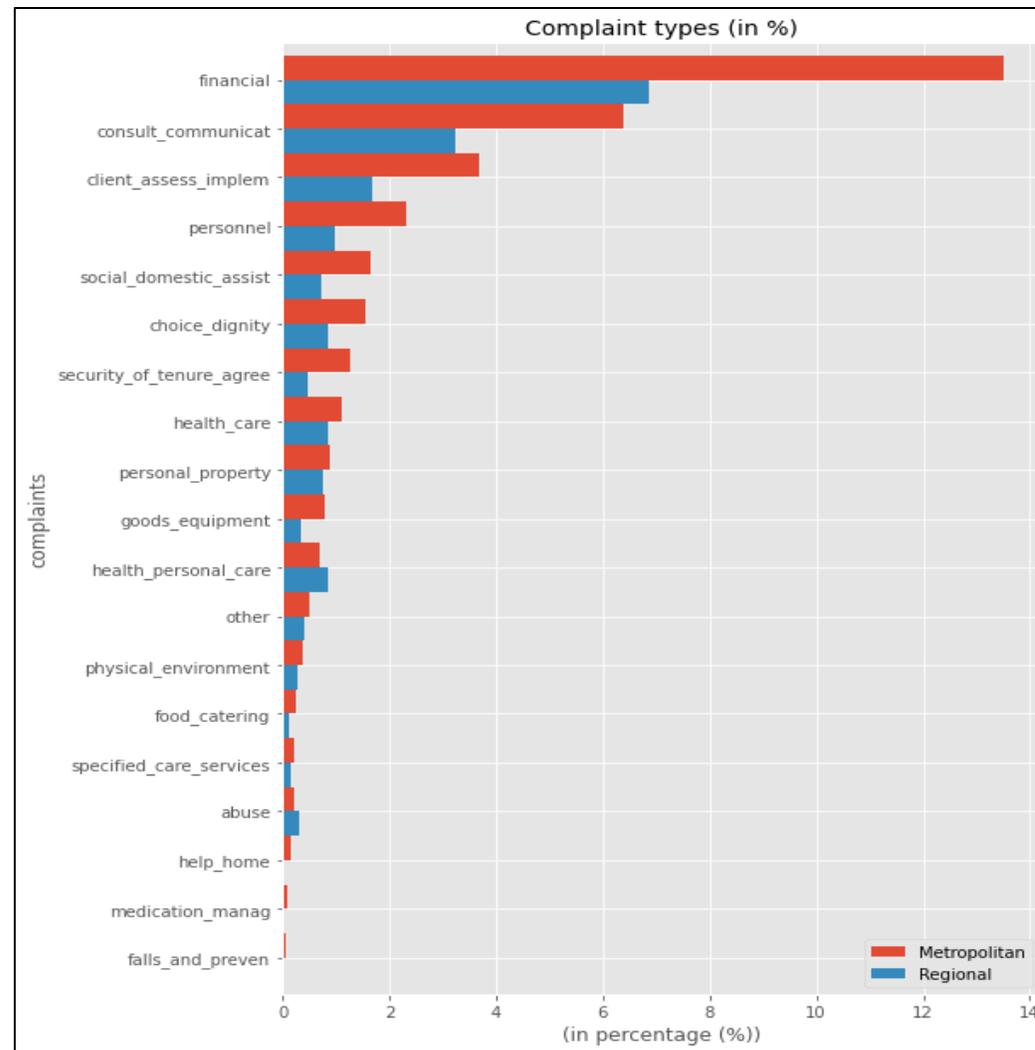


Distribution of providers by the number of complaints issues received and location

# What data says about quality outcomes

## Complaint types

- Our data indicated regional providers incur fewer complaints across all types of issues suggesting regional providers consistently provide better quality of care.



Complaints issues by provider location

# What's next – Support at Home

- Issues for consideration in relation to **responsibilities and accountabilities** in a multi-provider model, assessors and assessment, and care management.
- **New approach to pricing** (IHACPA) has the potential to create transparency, however it limits market operation for providers to compete on price, and creates challenges with differences in cost structures in different market settings, particularly in thin markets, such as with regional and rural home care.



Thank you!  
Questions?

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