



MEDIA RELEASE

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Ailing aged care sector points to uncertain future for older Australians

Struggling financial performance in the aged care sector could spell disaster for Australia's rapidly ageing population.

Results from national accounting association Bentleys' 2009 National Aged Care Financial Survey have revealed more than 40 per cent of providers are currently operating at a loss, with average profits halved in the past three years to less than 5 per cent.

Bentleys director Heath Shonhan said the survey sample group, which represented approximately 12 per cent of all aged care providers, indicated costs are increasing at a higher rate than revenue streams such as subsidies, resident fees and interest on accommodation bonds.

"With fundamental health reform on the agenda, aged care costs are in the spotlight again," said Mr Shonhan.

Bentleys' latest survey found that expenses like care and nursing, wages on-costs, administration, catering, property, cleaning and laundry costs are absorbing 93 per cent of income, with finance and depreciation costs using up what's left.

According to the Australian Government's recent intergenerational report, the proportion of people aged 65 years or over is set to grow from 13 per cent in 2010 to 23 per cent in 2050.

"With little money for the aged care sector to invest in upgrading or building new facilities, the future for this ageing population is uncertain" said Mr Shonhan.

To continue providing quality accommodation, care and services, Mr Shonhan believes aged care will change to a user-pays system within decades.

"Over time, the higher proportion of older people will mean subsidies will not be able to cover everyone needing care and those than can afford to pay for their care may be required to do so," said Mr Shonhan.

"In turn, this could force aged care providers to improve their services and facilities in order to attract residents."

Of key concern for those living in regional areas, the survey indicated that non-metropolitan providers are facing particularly challenging times.

"More than half of non-metropolitan aged care providers are now operating at a loss, compared with 37 per cent of metropolitan providers," said Mr Shonhan.

"Providers outside of major cities also earned on average 36 per cent less than those in metropolitan areas in the last financial year."

Now in its 15th year, the Bentleys National Aged Care Financial Survey is widely considered the major benchmarking tool for the sector's operational performance.

This year's results take into account the 2008/2009 financial year performance data of approximately 350 service providers.

Mr Shonhan will further discuss survey results in an industry webinar on Tuesday 23 March, details available at www.bentleysbenchmarking.com.au/2009-survey-findings-webinars.aspx

About Bentleys

Bentleys is an association of independent accounting firms in Australia with specialist experience in the aged care and retirement village industries. Bentleys offers a broad range of services including business and corporate advisory, taxation solutions, corporate recovery strategies and aged care specific audit programs.

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