



AGED CARE AND RETIREMENT LIVING SERVICES

As a client of RSM, you benefit from our experience, innovative practices and solutions. We provide insights that help providers navigate the complexities of legislative compliance, the implications of the Living Longer Living Better policy initiatives and the changing expectations of consumers, boards and regulators.

RSM ensures our clients are ahead of emerging issues in the industry. We partner with our clients to:

- Help maximise recurrent cash flow from operations
- Establish sustainable operating models, including management of reserves
- Acquire, sell and merge activities
- Provide support to boards as they discharge their governance obligations

We understand that in the religious and charitable sectors, this focus sits under the mission of your organisation, while in the private sector this necessarily involves maximising after tax cash flow.

RSM PUBLICATIONS

Factors Influencing the Financial Performance of Residential Aged Care Providers

RSM were engaged by the Aged Care Financing Authority (ACFA) to study the qualitative and quantitative factors influencing, and associated with, the variable financial performance of different residential aged care providers. The project considered the industry through the lenses of ownership, location, size and level of care (resident care profile) and then overlaid these factors with an analysis of financial and other qualitative metrics.

RSM Aged Care Sustainability Review

RSM published a comprehensive review of the short and medium term trends emerging in the residential aged care sector, providing insights into market dynamics, financial dynamics and other factors at play. The review analysed data from a number of sources to provide participants in the sector a holistic view of the changes in the primary drivers of sustainability of residential aged care.

Both reports are available on our website.

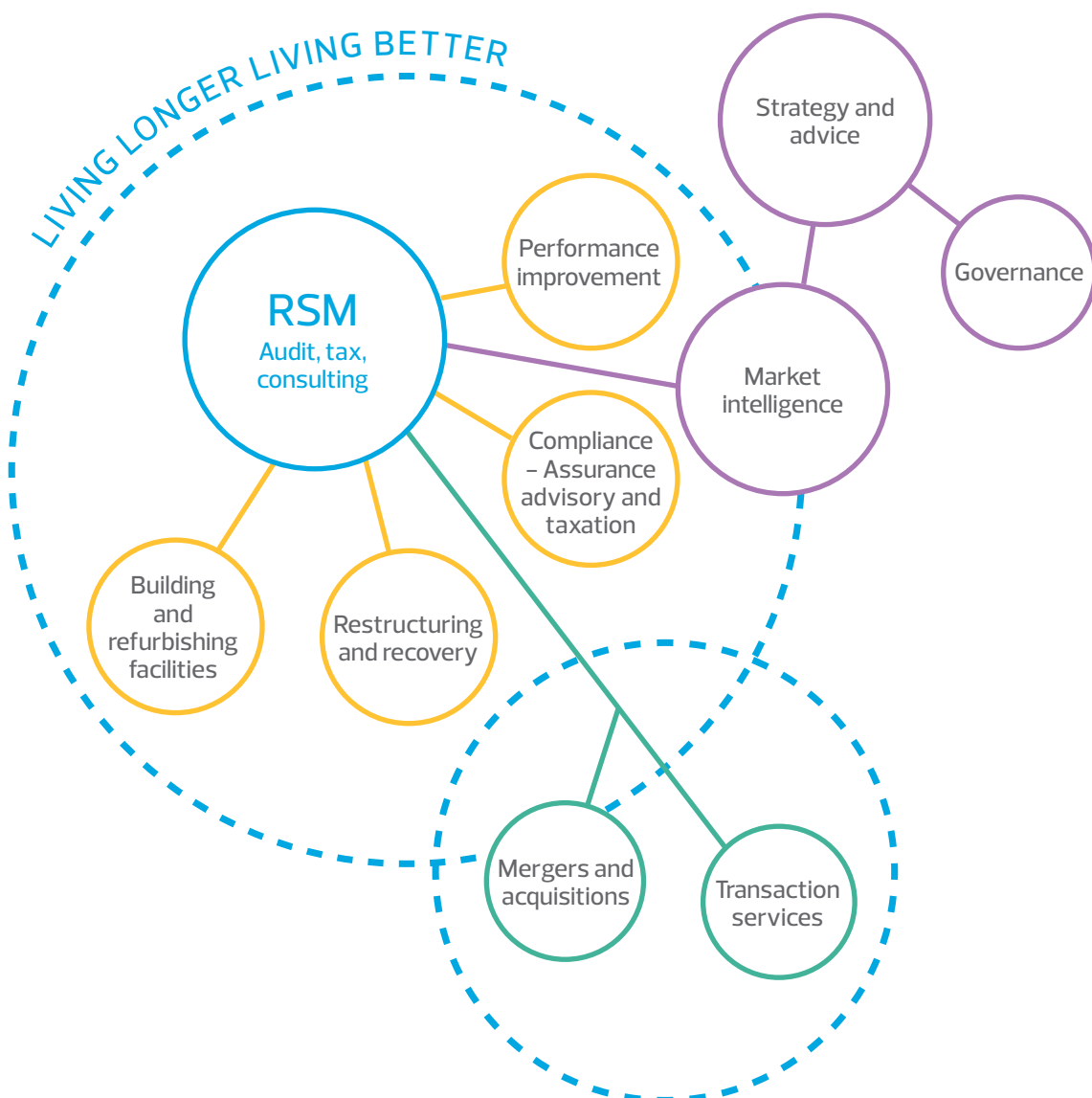
TAILORED SOLUTIONS

While the specific issues and answers change from operator to operator, all operators need to ensure they match their operating models to their strategy and purpose. Ever-changing government policies, transitional arrangements and grandfathering provisions create unique challenges for facility operators.

The commencement of Consumer Directed Care (CDC) heralds a new era in the aged care sector. Providers will need **adaptive strategies** to survive and thrive. Our work with governments, operators and boards enables us to identify critical issues and to define and refine strategies that anticipate and respond to these. This ensures that operational plans reflect and support organisational strategy.

Our team of specialist advisors has the right mix of skills and experience to help aged care and retirement living providers create adaptive strategies and achieve their long and short term goals. Our integrated national network of 30 offices means our clients have access to specialist knowledge, whether you are a regional operator, a multisite organisation or a national organisation.

We offer a **unique blend of national capability and local experience**. For clients, this means we understand your local issues and challenges, and the broader context within which you operate. This allows us to deliver relevant advice that enables you to create sustainable business models. Our service offering is extensive because we have experts in every field of financial service, no matter the stage and position of your business.



RSM Aged Care and Retirement Living Services supports the industry through interactions with both Leading Age Services Australia (LASA) and Aged and Community Services Australia (ACSA).



MARKET INTELLIGENCE

Our report for ACFA highlighted that 94% of providers intend to stay within the industry, with the majority intending to expand operations. In a consumer driven market, understanding future, as well as current demands of consumers, are critical to sustainability. The RSM Opportunity Assessment Model gives providers valuable insights backed by rigorous analysis of data into:

- Current and future supply
- Current and future demand
- Anticipated allocation of places
- Socio economic analysis

We see Opportunity Assessment as fundamental to strategic planning and it is the first step in an integrated approach to maintaining existing operations, expansion or contraction of services and service delivery models. Armed with the RSM analysis, operators can effectively plan and manage infrastructure to ensure sustainability.

GOVERNANCE

A significant differentiator of financial performance of providers can be related to the strength and focus of boards (governance). RSM assists providers to develop good governance models encapsulating a mindset that aligns strategic thinking, risk management (financial, clinical and environmental), succession and sustainability.

Typically a director sits on one aged care board. We work with many organisations and accordingly our consultants bring the combined wisdom and experience of literally hundreds of aged care boards into your boardroom. We do this through reviews and workshops with boards and senior executives.

BUILDING AND REFURBISHING FACILITIES

In a case involving a \$24m new build, our modelling enabled the operator to borrow funds on limited recourse guarantees. An external valuation confirmed our findings and gave great comfort to all parties. In another case, a review resulted in a client amending the scale of a proposed development to enhance its financial viability.

Whether you have existing facilities, have purchased an operating facility or are developing a greenfield site, it is reasonable to assume that at some stage you will have to refit, refurbish, extend or rebuild it. When the time arises, you can rely on us to answer the critical questions:

- Does the project add value to the organisation?
- Do we have sufficient capital/debt for the project?
- Will the operations produce sufficient cash flow?

With these answers, boards and owners can be assured that complex decisions involving millions of dollars are soundly based.

PERFORMANCE IMPROVEMENT

Using our RSM Performance Assessment Tool which covers; operating outcomes, sustainability, operational dynamics and capital management, we identified how a client could increase their bottom line by over \$300,000.

Operating a facility is more than focusing on care or increasing short-term profit. It is ensuring that your facility operates on a sustainable and stable platform over the long term. Our work on major industry projects with governments informs our best practice insights. This assists operators in managing service offerings, bed mix, occupancy, capex and costs, to ensure they operate with appropriate surpluses and reserves.

Key issues that will emerge for providers in today's environment include:

- Market relevance
- Capital reinvestment
- Service models
- Staff engagement

With the advent of consumer choice in accommodation payments, understanding the link between cash flow and profit is now more critical than ever.

Our experience in aged care cash flow forecasting, assists our clients to generate the cash flow they need to ensure sustainability of their operations while allowing them to maximise the use of any excess cash liquidity.

MERGERS AND ACQUISITIONS

In a previous project, we helped a community based organisation to merge into an appropriate larger organisation. We facilitated board communication, negotiations of continued community involvement and merger partner selection and assessment. The merger was achieved without community anxiety and to the satisfaction of all parties.

Smaller operators often face challenges in accessing capital for refurbishment or expansion, and their lack of scale can make the continuing industry developments a greater burden. The recent consolidation trend in the sector is likely to continue, driven by larger operators seeking growth through acquisition and strategic benefits from economies of scale.

Our mergers and acquisitions team operates under both buy and sell side mandates. When working with religious and charitable operators, we facilitate cultural and value based mergers.

COMPLIANCE SERVICES

We were able to restructure the operations of a client to produce tax benefits exceeding \$1.5m. In a recent audit, we identified a number of material reporting errors which had persisted for several years. Our deep understanding of aged care combined with our audit approach means that our clients can look forward with confidence and backwards with certainty.

In addition to our specialised aged care services, RSM provides a full range of compliance services that includes:

- Financial audits
- Prudential audits
- Internal audit
- Income tax compliance and dispute resolution
- Outsourced CFO services
- Forensic investigations
- Due diligence

STRATEGY AND ADVICE

Whether to specialise or integrate horizontally is perhaps the most topical question in aged care. While both options have their place, do you understand which strategy is right for you?

Working with many providers and undertaking research and contributing to the policy debate surrounding older Australians, gives RSM deep insights into the issues and solutions that work in different settings.

Consumer Directed Care requires a strategic response from providers. Government policy settings suggest that the sector will see increased exposure to market forces.

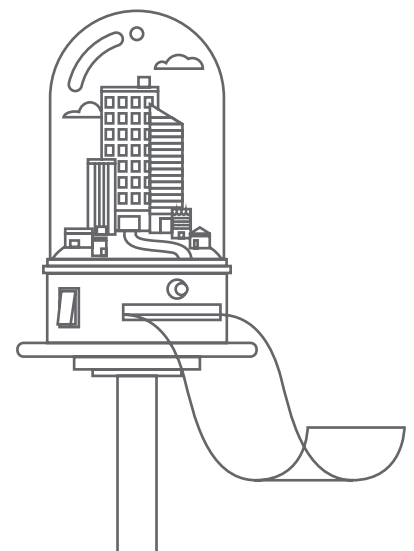
Our strategy and advice services assist providers to answer the following key questions:

- What is my core operating purpose?
- Who is my target market?
- What is my operating model?
- What cash inflows are available to support this model?
- Does my governance model manage operational risk?
- Is my model financially sustainable over time?
- Should we stay, go or grow?

RESTRUCTURING AND RECOVERY

In a recent case, we assisted a struggling provider maintain short term viability while we implemented a close-down strategy. This involved the managed transfer of residents to alternative accommodation, gaining forbearance of creditors and disposing of the assets in an orderly fashion. From an estimated shortfall position, we were able to settle all creditors' claims and return a surplus to the organisation.

According to RSM research, one third of providers have unsustainable business models. While there have been few catastrophic failures of providers to date, the increasing exposure to market conditions may see some non-viable providers struggle further. Our combined skills and experience in restructuring and recovery have allowed us to work with providers facing financial challenges to exit the sector while minimising stress and anxiety and loss to all stakeholders.





TRANSACTION SERVICES

We achieved a premium price for the sale of approved places exceeding vendor expectations by 15%.

Our sale and purchase transaction support services provide a total transaction management service that achieves the outcomes you seek while ensuring all stakeholders' needs are met.

Our approach, while tailored to meet the specific needs of each client, involves three discrete stages:

- Pre-transaction support
- Transaction facilitation
- Post-transaction activities

This approach provides our clients with an integrated advice and transactional support service. Our experience is that this produces enhanced outcomes in relation to:

- Net proceeds
- Stakeholder management
- Time frame

Unlike transaction-based consultants, who are focused on "closing a deal", our focus is on ensuring your priorities are met.

Benefit from our experience

Your Aged Care Services team at RSM is national and regional. We purposefully focus on three key aspects:

- Financial viability
- Strategy and advice
- Governance

Experience has shown us that the foundation of success is sound governance applied to a proven strategy, in an environment where short-term financial outcomes allow an organisation to pursue a long-term vision.

When you work with RSM, you can be confident that:

- Our understanding of the issues has been gained from working with a broad range of providers in the private, religious and charitable sectors
- We provide tailored solutions that address specific provider issues
- Our national team, located in capital city offices and throughout regional centres, means that you can connect with an aged care advisor, wherever you are
- We understand industry best practice and find innovative solutions to help you achieve this standard in your facility
- Our services are efficient and responsive

For further information or enquiries contact our team at:

www.rsm.com.au/agedcare

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AUDIT | TAX | CONSULTING

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