

## The Past, Present & Future Of Residential Care



Norah Barlow
Heritage Lifecare CEO

Norah joined Heritage Lifecare in 2018, bringing her extensive experience and in-depth knowledge of the aged and health care sector on both sides of the Tasman. She has been at the helm of major companies and organisations. Norah led Summerset to become one of New Zealand's largest retirement village operators, setting new standards and helping redefine the sector. In Australia she stepped in to lead ASX-listed aged care provider Estia through transition at a time of crisis and scrutiny for the sector.





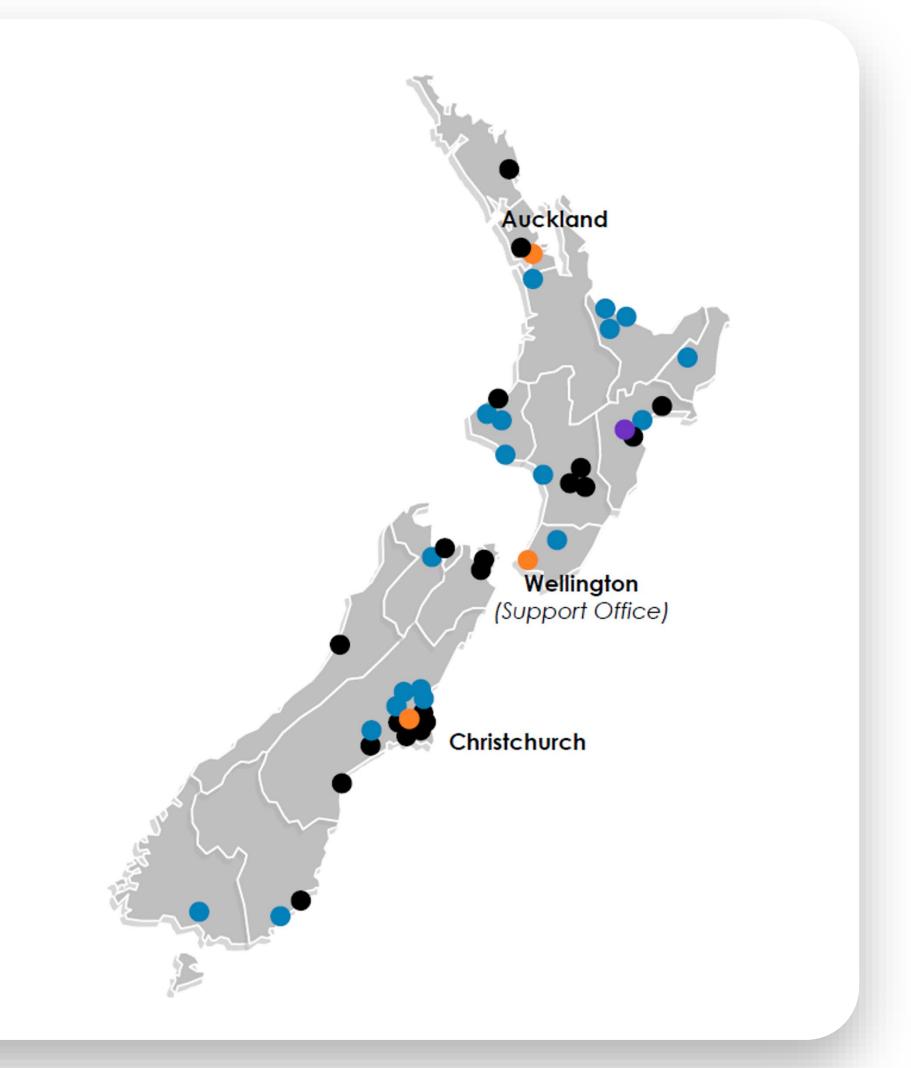
### NZ's Second Largest Dementia Care Provider



Care Beds 2,505



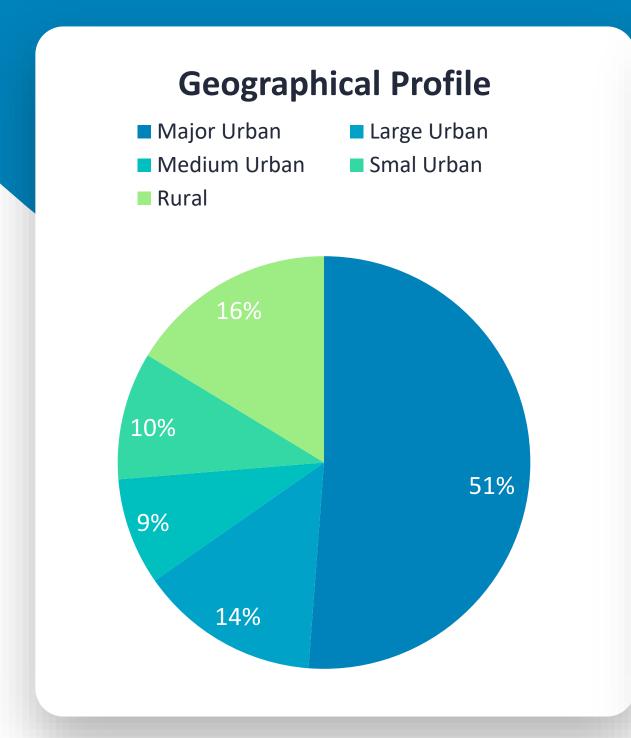
Units 492

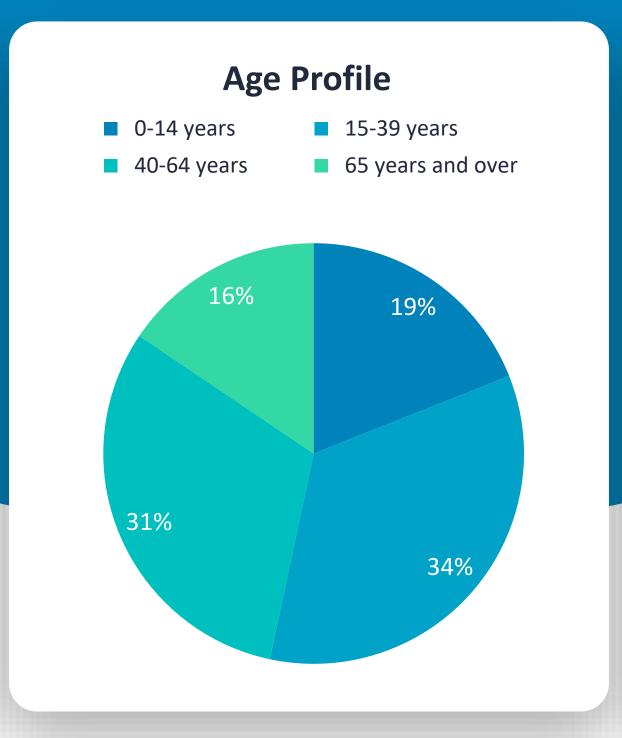


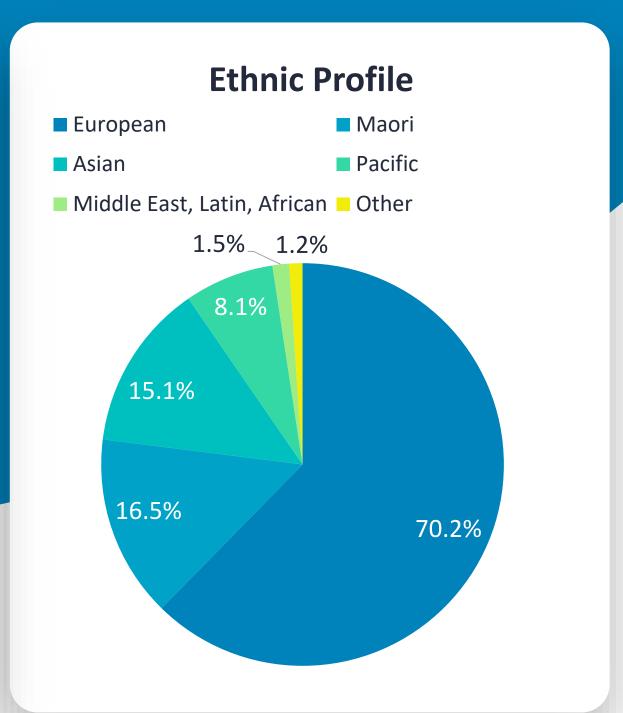


### New Zealand: A Unique Operational Environment

- Diverse Ethnic & Geographical Landscape
- An Aging Population & Service Led Economy





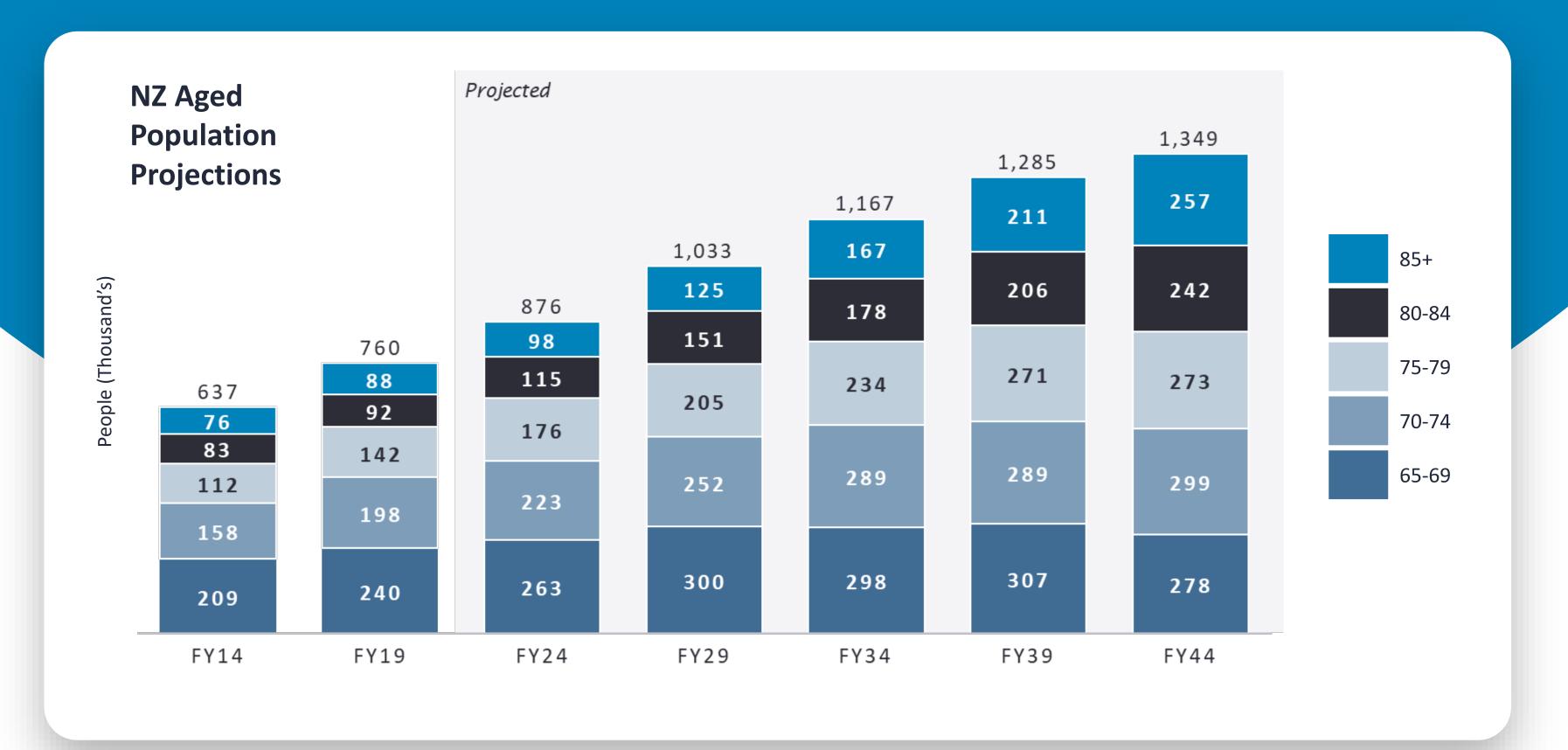


Data source: 2018 Environmental Health Intelligence

Data source: 2018 Stats NZ Census

Data source: 2018 Stats NZ Census

### **Demographic Changes: An Aging Population**



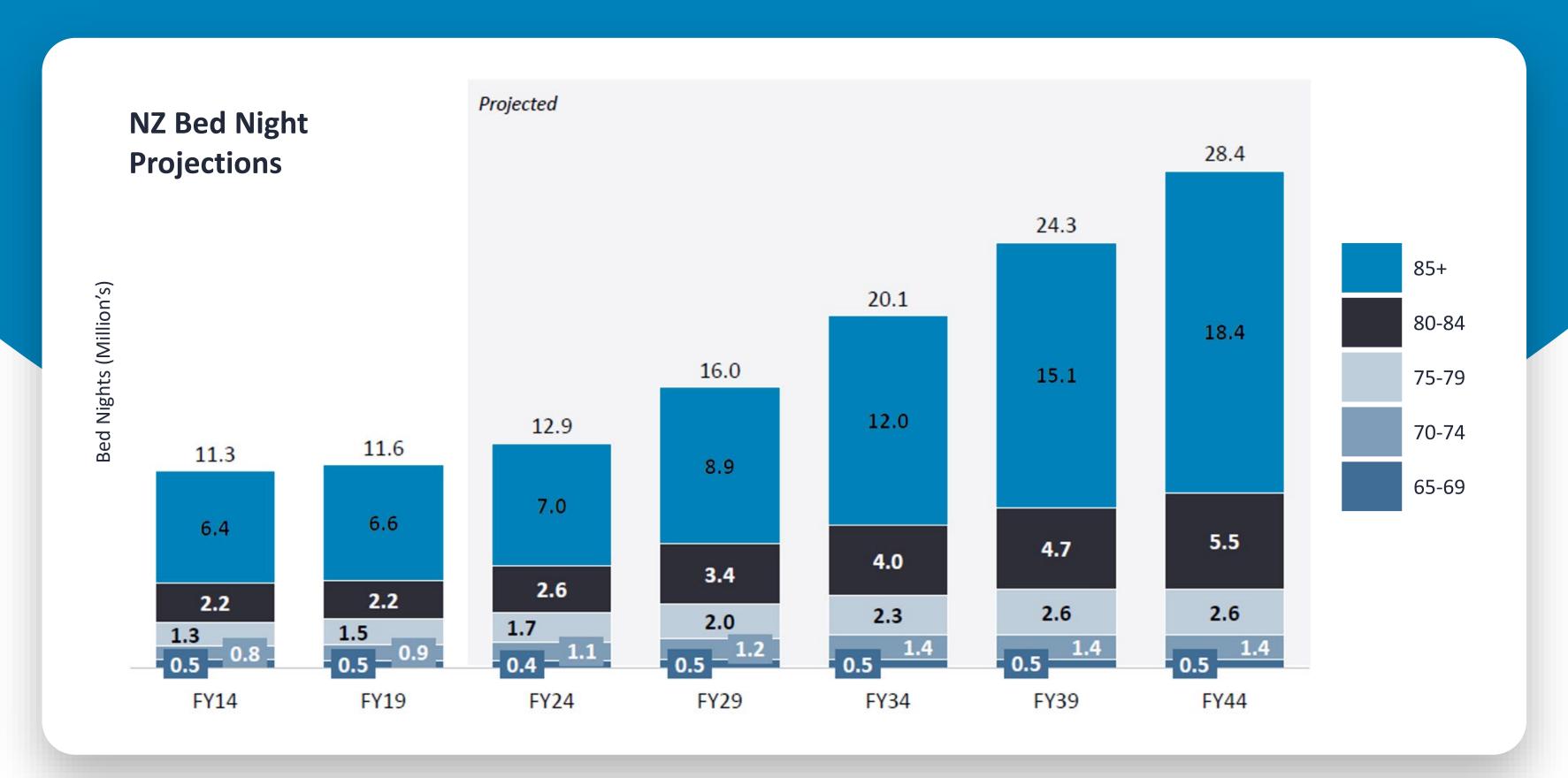


## Aged Care



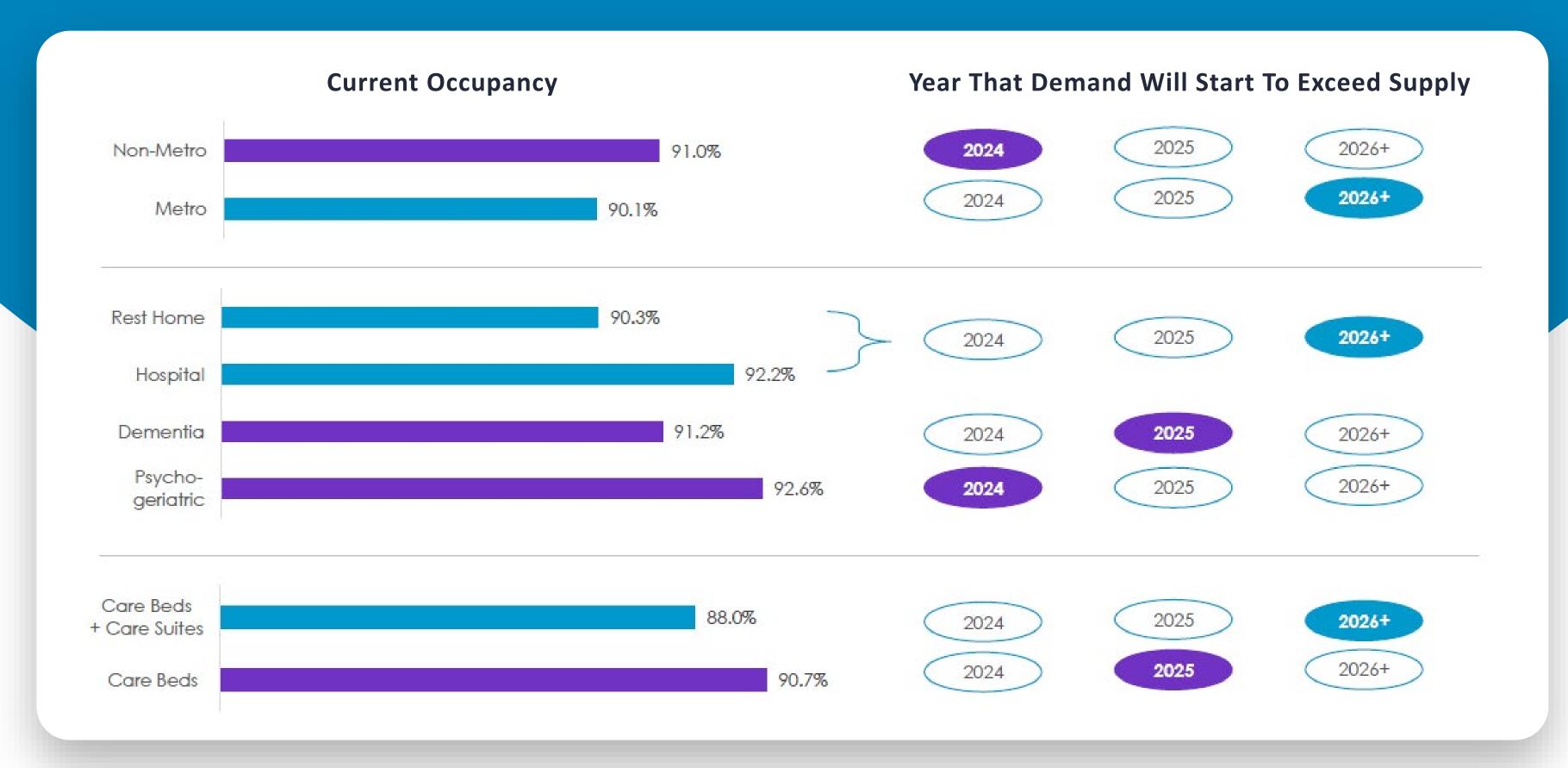


### Residential Care Projections: Accelerating Demand





### **Regional Care: Future Supply Opportunities**



Data source: EY Aged Care Demand Planner Model 2021; EY PJP analysi,. Known pipeline stated development projects from major listed operators, Occupancy sourced from the New Zealand Aged Care Industry Profile (Sep 20) and excludes ORA beds. Non metro locations exclude the Auckland, Canterbury and Capital and Coast District Health Boards.

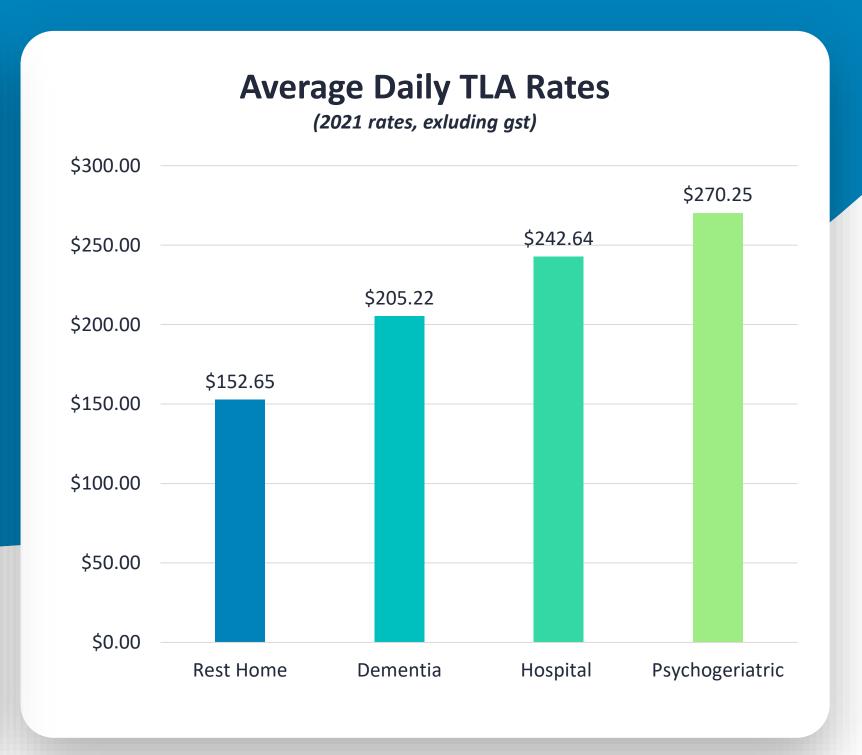


### **New Zealand Government Contribution**

- Twenty District Health Boards Are Responsible For Funding Residential Aged Care Via The Ministry of Health
- To Apply For Subsidised Care, Residents Undergo An Assessment With A NASC Agency By Either Self Referring Or Being Referred By Family, GP Or Hospital Discharge Planner

### **Residential Care Overview**

	Care beds ~90% of beds	Care suites ~10% of beds
Funder(s)	<ul> <li>Government (~77% of total)</li> <li>&amp; residents (~23% of total)</li> </ul>	Government & residents
Revenue drivers	<ul> <li>Govt mandated daily care fee dependent on care level</li> <li>Optional fees for services or premium accommodation</li> </ul>	<ul> <li>ORA (as per RV units)</li> <li>Daily care fee (as per care beds, with portion rebated)</li> <li>Service fees</li> </ul>
Key profit drivers	<ul><li>Occupancy rate</li><li>Acuity mix</li><li>Premium charging rates</li><li>Rostering</li></ul>	<ul> <li>Elements of both care beds</li> <li>&amp; RV units</li> </ul>



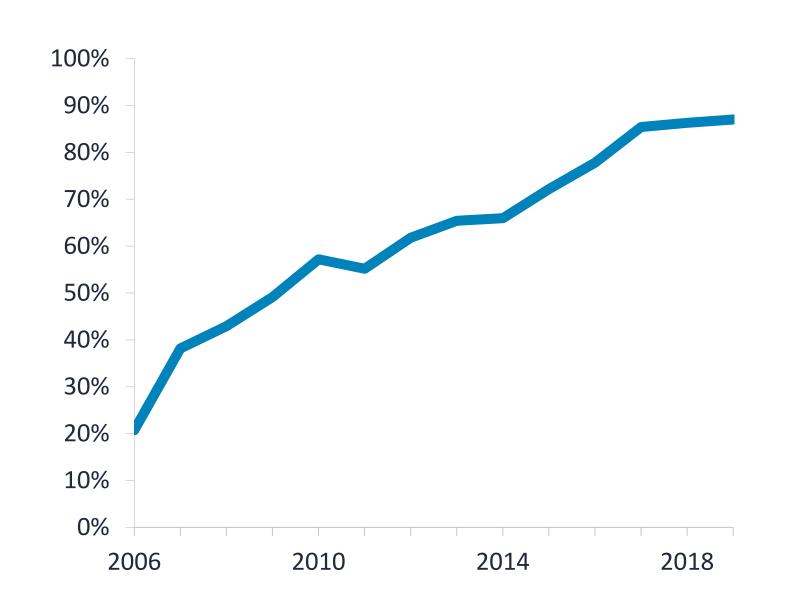
Data source: NZ Aged Care Association schedule of TLA Rates, effective from August 2021

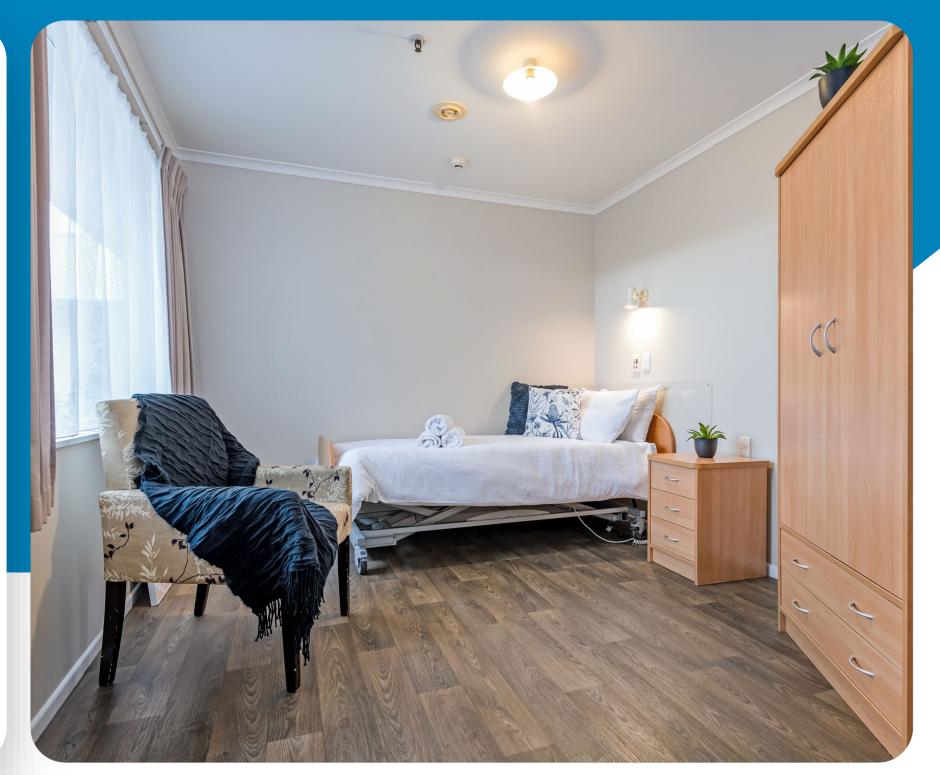


### **Premium Charging: Now Conventional**

- With Increasing Operator Costs, Premium Accommodation Charges Are Becoming A Necessity
- Key charges include Larger Room Size, An Aspect View, Bathroom, Shower, Kitchenette

### **More Operators Are Using Premium Charging**





Data source: NZACA 2020 ARC report; EY ARC Funding Model Review 2019

Photo: Palmerston Manor Lifecare



## Retirement Villages





### **Retirement Villages: Familiar Entry Point Into Care**

• With 35,155 Village Units In New Zealand, Retirement Villages Represent A Sizable Entry Point For Residential Care

### **Retirement Village Overview**

Funder(s)	• Residents
Revenue drivers	<ul> <li>Negotiated lump sum paid upfront for right to occupy (ORA) - largely refunded on termination, with share retained as deferred management fee</li> <li>Weekly village &amp; service fees</li> </ul>
Key profit drivers	<ul> <li>Development margin on initial sale / capital gain on resale - linked to property values</li> <li>DMF contract - rate and timing</li> <li>Vacancy rate &amp; resale velocity</li> </ul>

### **ORA Cashflows Over One Cycle** 348 Capital gain 57 300 on resale ORA Property price DMF @ 25% purchase growth price Typically \$000's NZD accrued over expected tenure Returned 225 to resident Weekly fees 10 Refurb. cost Year 0 Year 1 Year 2 On exit

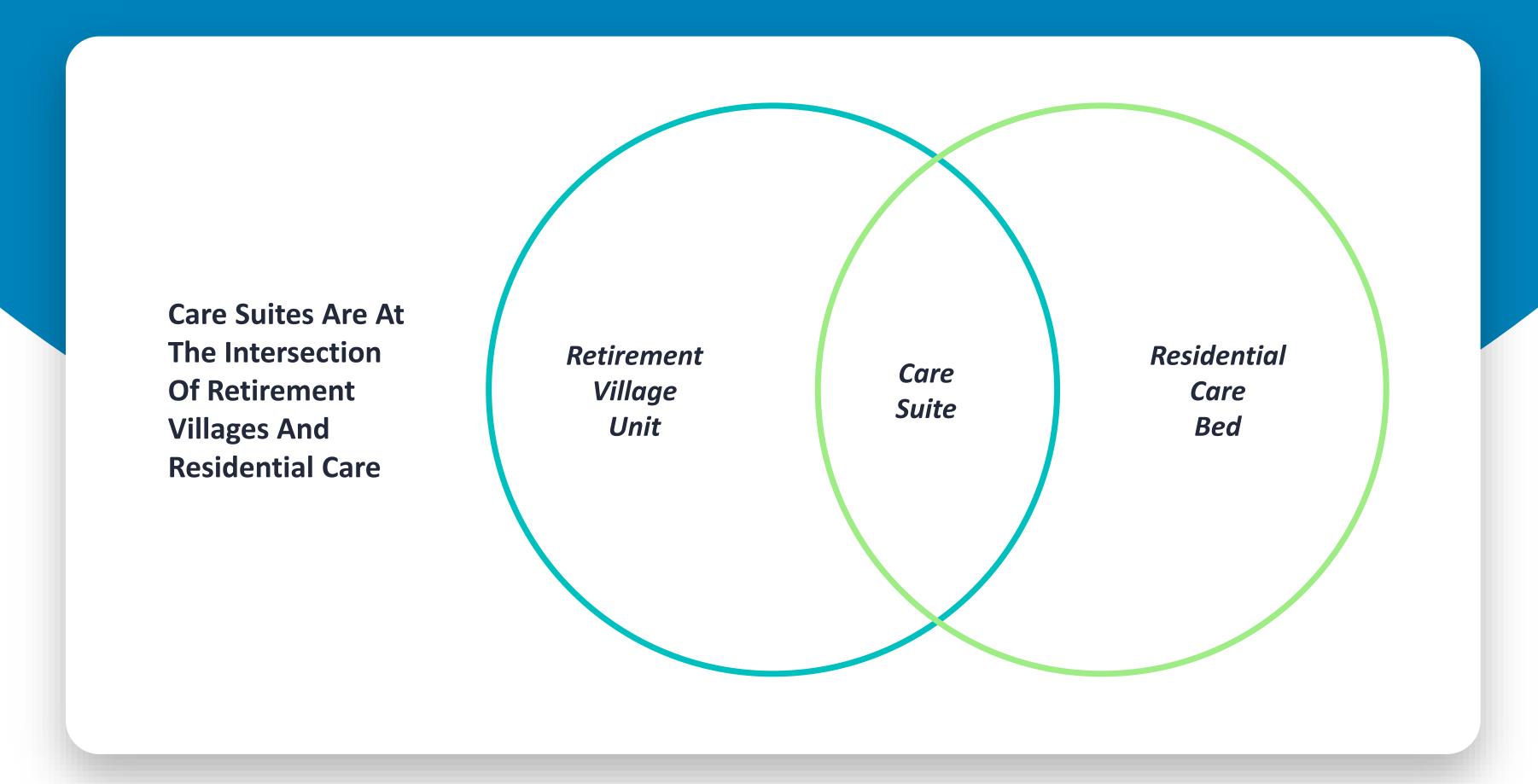
Data Source: Company reports FY20/21; Ministry of Health; AgedAdvisorNZ; RVA Annual report 2019



## ORA Care Suites



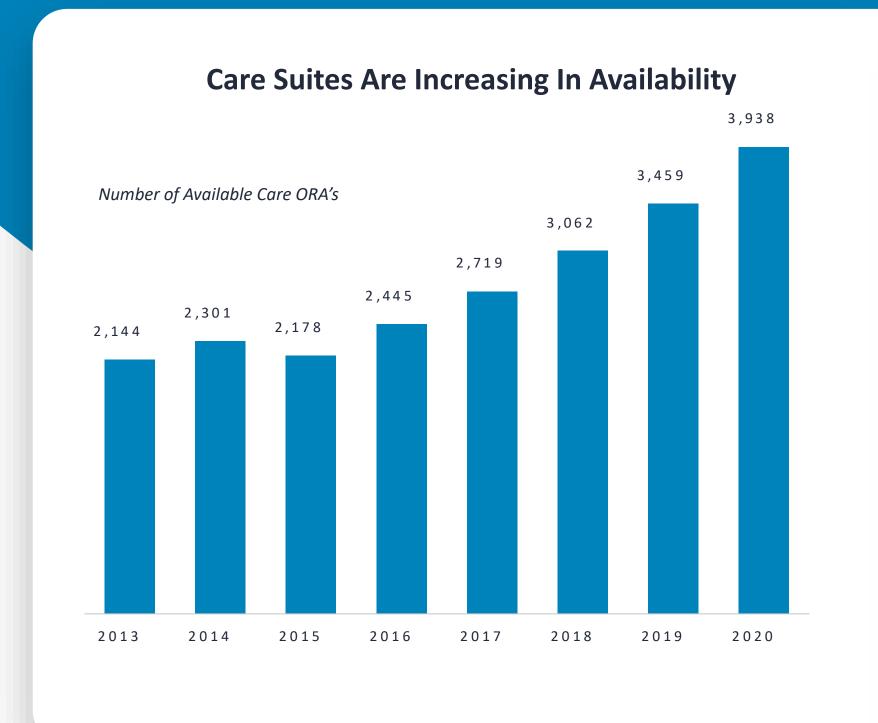
### **Classifying Care Suites**

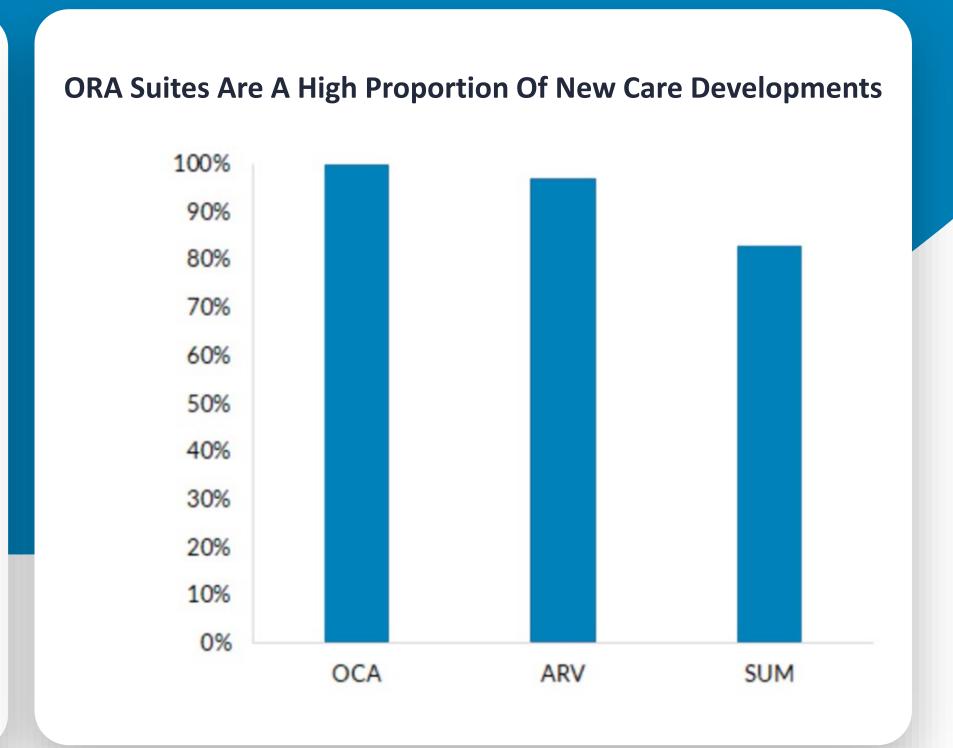




### **ORA Care Suites: Increase In Uptake**

- Aged Care Operators Are Increasingly Shifting To Care Suites Sold Under ORA
- The New Model Increases The Standard Of Amenities Offered For Those Who Have Capital Available

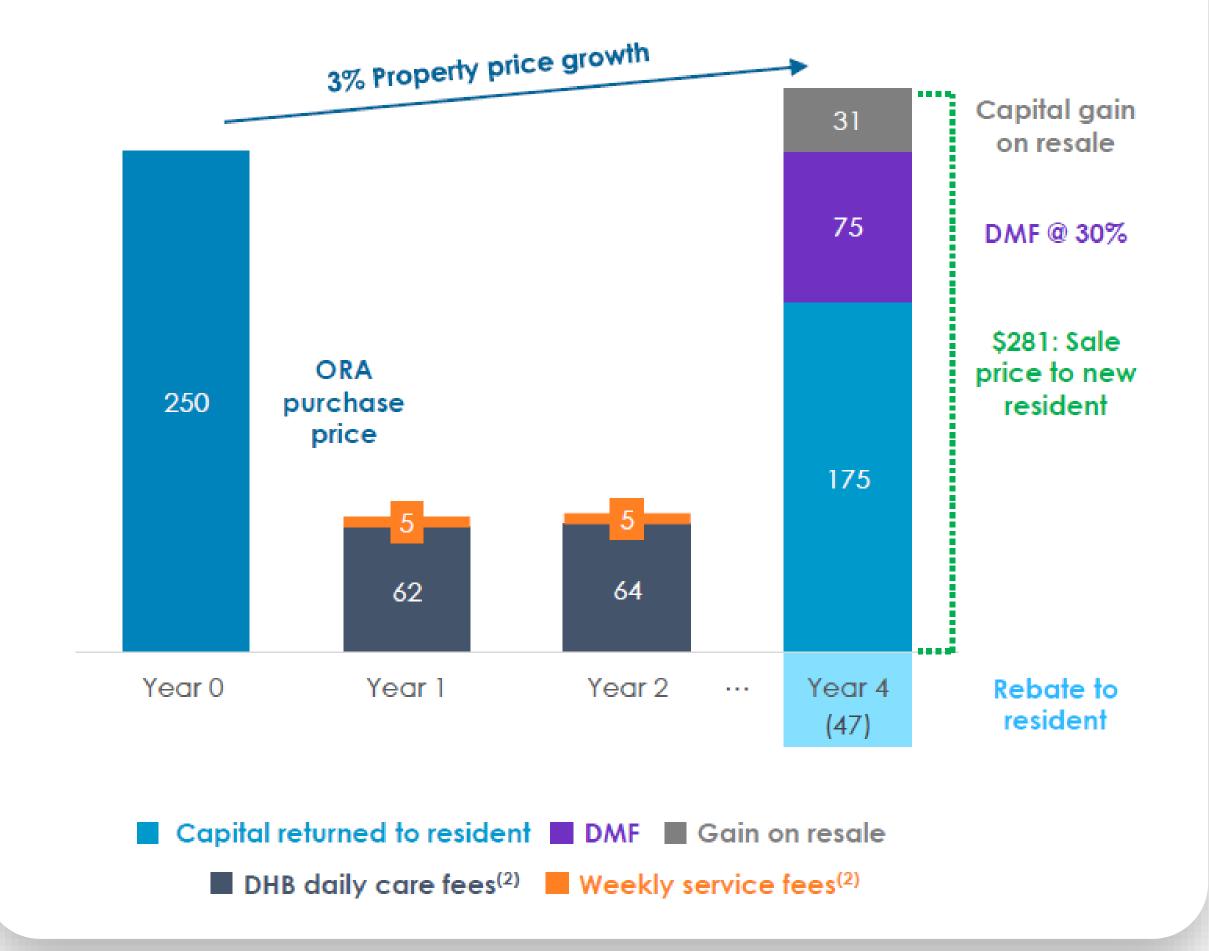






# Care Suites Yield An Attractive Model



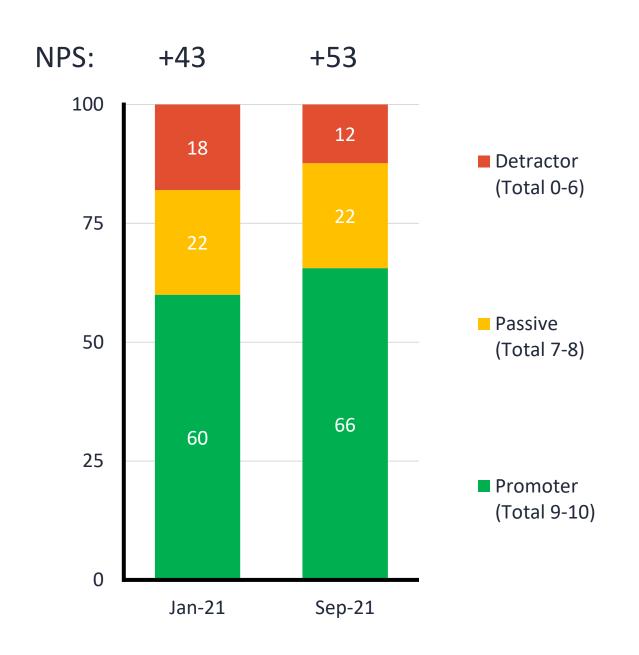


How Are These
Sectors Seen By
The Consumer?



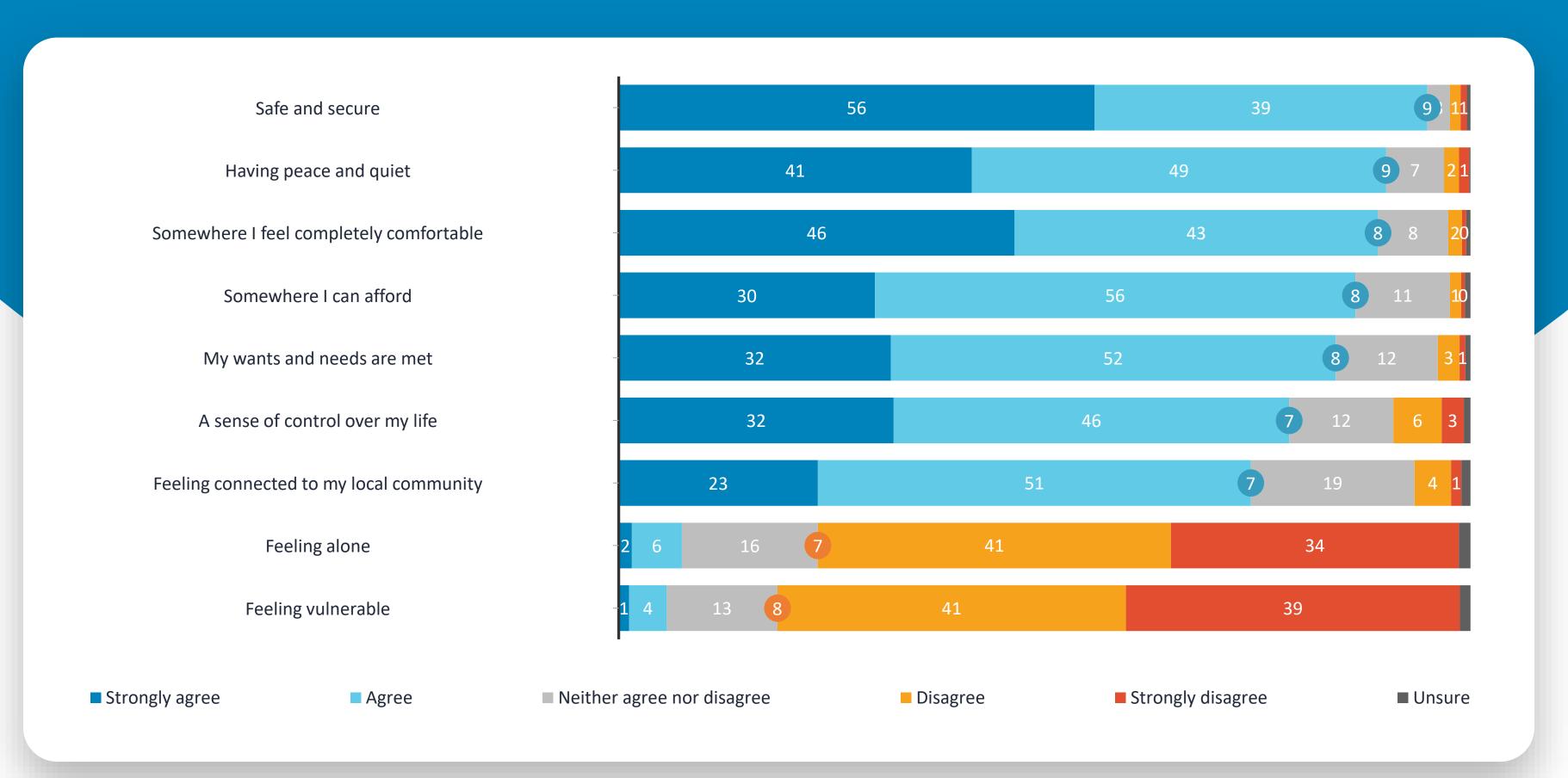
### Most Residents Are Satisfied With Their Village Experience

### **NZ Village Resident Satisfaction**





### The Majority Of Residents Feel Safe And Secure



What Changes
Are Coming Up?



### **Toward Tomorrow: Focusing On Transparency & Fairness**



### BLUEPRINT FOR NEW ZEALAND'S RETIREMENT VILLAGES SECTOR

New Zealand's retirement villages sector has launched a comprehensive blueprint to introduce a range of improvements in the industry.

The growing popularity of retirement village living and the overwhelming satisfaction levels among residents clearly demonstrates that our sector has struck the right balance between robust regulatory oversight and effective self-governance.

However, we accept there is always room for improvement and refinement around certain practices as our sector and our offering evolves.

That's why the RVA signed a Memorandum of Understanding with the Retirement Village Residents Association of New Zealand to work together on issues to ensure the interests of our residents continue to remain paramount in everything we do.

This blueprint sets out the tangible and definitive steps we will be taking to achieve that goal.





### **OUR PROMISE**

- · Provide residents with a stronger voice
- Strengthen the complaints process by exploring establishing an Ombudsman to hear and resolve complaints and invite an independent member of the public to sit on the RVA Executive to represent residents' interests
- Survey all members annually to examine emerging trends
- Work with members, residents and the Retirement Commissioner to design a best practice approach to re-licensing that reflects the reality of the local real estate market, yet ensures residents' estates do not wait an unreasonable period of time for a refund
- Review Occupation Rights Agreements (ORAs) to address any perceived unfair terms or confusing clauses and ensure clarity around what the resident and operator are responsible for, in particular, repairs, maintenance and replacement of operatorowned chattels
- Continue to work with the Commission for Financial Capability (CFFC) to develop best practice standards around disclosure of information about residents' transfer to care and incorporate these into the Retirement Villages Code of Practice.

96% of residents were either very satisfied, satisfied or neutral 83% of residents satisfied with the quality of the legal advice they received before moving into their retirement village

70% of residents satisfied with the overall consumer protection

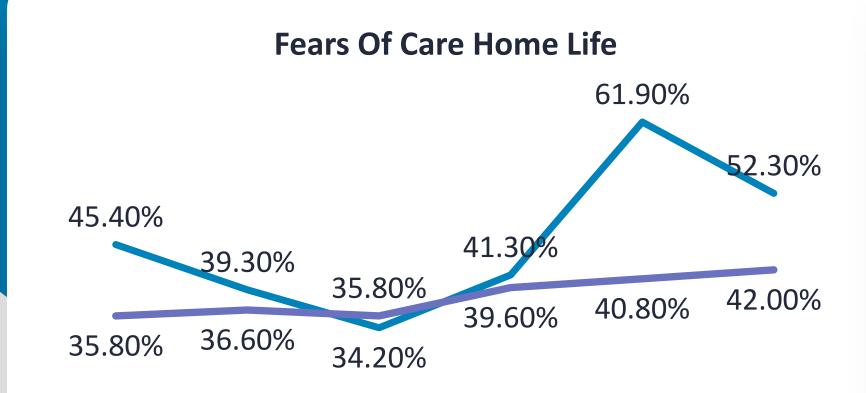
\*UMR Insight, 2021. See page 8 for further information

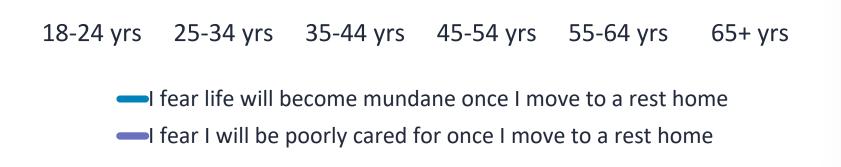
### **RVA's Blueprint**

- Establishing a best practice approach around the time taken to re-licence units
- Unfair clauses in ORAs (repairs to operatorowned chattels)
- Weekly fees after ORA terminated
- Improving the complaints process
- Transfers to care, and building promised care facilities
- Healthy Homes standards

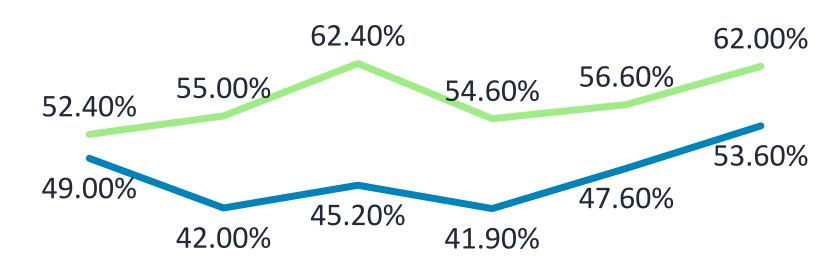


### **Toward Tomorrow: Focusing On Customer Desires**





### **The Value Of Creating Interesting Experiences**





- —I would prefer to live in a rest home which focuses on making life more interesting
- —I would pay more to live in a rest home that was less mundane



### **Key Considerations For A Strong Future**

### **Key Drivers Are Shaping The Future Of Residential Care**

- An aging population with an accelerating need for high acuity care
- Increasing costs requiring a shift in business models toward co-funding
- Increasing accountability and consumer expectations

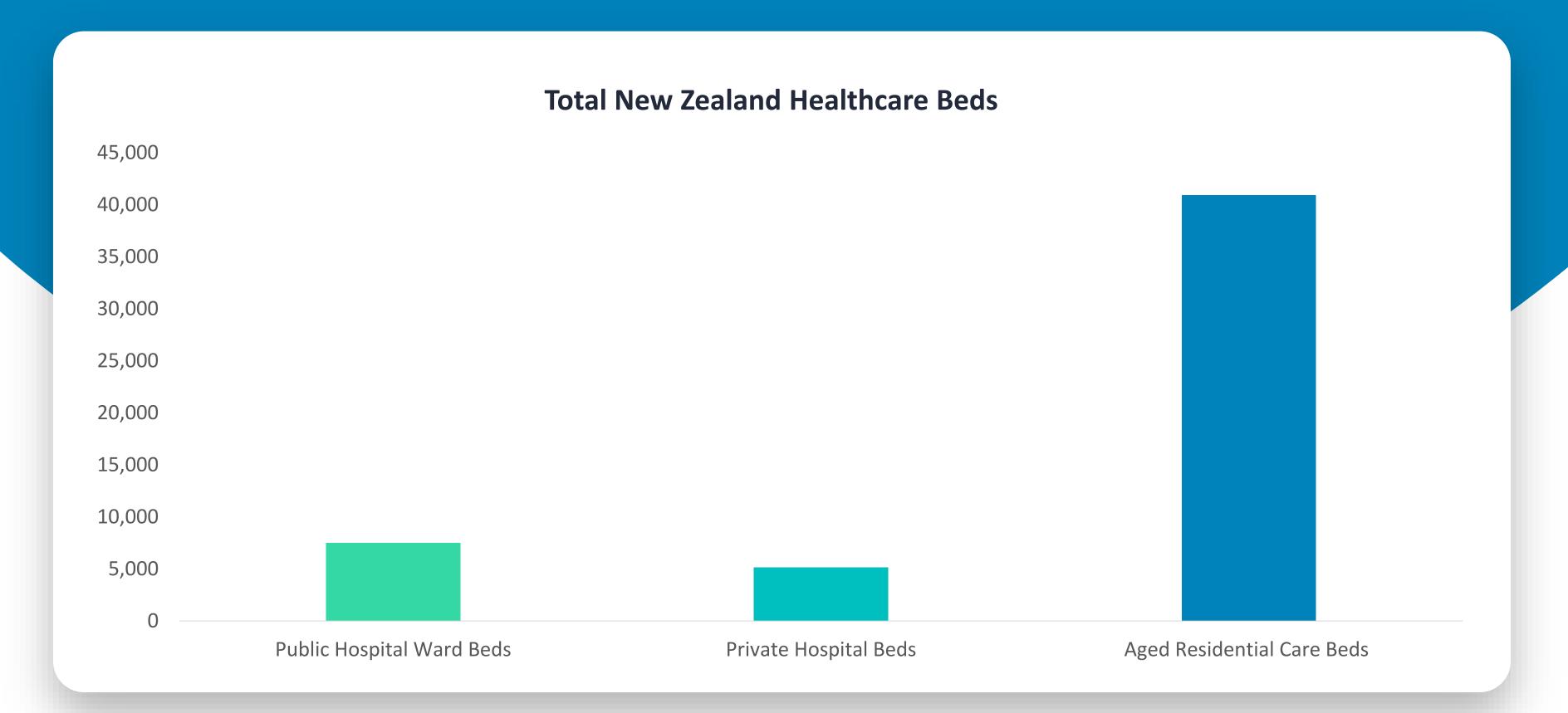
### What Long-term Societal Outcomes Are These Drivers Likely To Create?

- A residential care system built around those who have capital available, those less fortunate may be left at home or in some form of basic care
- An industry that is reliant on the attraction, education and retention of staff to embrace new demand and meet expanding customer expectations

Aged Care
A Necessary Part Of
The NZ Healthcare
Continuum



### **New Zealand Bed Allocations**





# Thank You

