



AGED CARE EBOOK

Transformation and technology in the Aged Care sector

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The pandemic and the Royal Commission have combined to create an imperative for transformation in the Aged Care sector. We explore how technology can enable the sector to transform its approach to compliance, efficiency and cost management.

It is hard to think of an industry in Australia that has gone through more of a dramatic (some would say traumatic) change over the last few years than the aged care sector. The 'double whammy' of a Royal Commission and COVID have hit hard. But the aftermath leaves the potential for equally dramatic, long-term change in the industry, and in the way it leverages technology to support a transformed operation.

The aged care sector is defined as encompassing organisations that operate long-term aged care, in Government approved residential centres and retirement villages. It covers a wide spectrum of care needs, from independent living, to high care support and specialist support for those with conditions such as dementia.

The sector is worth \$24.6bn dollars in 2021, having grown 2% per annum over the last five years. Growth is set to increase, with the forecast - according to IBIS World's report 'Aged Care Residential Services in Australia¹ - at 4.5% for the coming five years. If the industry peak bodies' call for increased Government funding is heeded, that growth could be higher.

Aged Care is a highly segmented sector - there are 1790 providers, with the top three (BUPA, Regis, Opal) accounting for only 8.4% of the market, and no single one of them having more than 3% share.



Professional services industry characteristics

Two massive events hit the industry very hard, one straight after the other in 2019 and 2020. They were the Royal Commission into Aged Care - whose scathing report shone the spotlight on 'systemic' abuse, neglect and negligence and called for fundamental reform. The second was of course the COVID-19 pandemic, which hit Australia's elderly harder than any other demographic. As of mid-March 21, there had been 4250 cases in 221 care homes (residents and staff), leading to 685 deaths.

These events impacted revenue, growth and profit of the sector very hard. Profit declined by over 20% in the five years to 2021. A number of businesses failed, with the total reducing by 0.8% between 2016 and 2021, with the same forecast for the following five years.

Investor interest in the sector declined, as did public sentiment and support.



Despite this gloomy picture, there is light on the horizon for the sector, which is now in a growth phase. Aged Care provides employment for 314,000 workers, and is set to grow at 4.4% over the five years to 2026. That's slightly down on the 5.7 the industry has seen over the past few years, but is still significant, especially when compared to the much more modest 2.1% forecast for the healthcare sector and even lower figures in other industries, like 1.4% in professional services.

This growth can be attributed in part to the reaction to COVID-19 and the Royal Commission recommendations, along with the four key factors that influence the sector.

Influences on the Aged Care sector

Aging population

The biggest driver of the sector is the size of the over-70 population. A report from the Australian Bureau of Statistics states that “Like most developed countries, Australia's population is ageing as a result of sustained low fertility and increasing life expectancy. This has resulted in proportionally fewer children in the population and a larger proportion of people aged 65 and over.”² According to the IBIS report, the over-70 population is growing at 3.9% per annum.

Cash rate

Lower interest rates encourage operators to make capital improvements, and with rates at a historic low (down by 40.2% over the last five years), investment in facilities is increasing.

Total Government spend on Aged Care services

The combination of the Royal Commission Report and the Government's COVID-19 response has seen a \$2.4bn Federal Government health package, infection control funding, and financial support for operators. All in all, Government funding increased by 6.5% in the five years to 2021.

Average weekly hours worked

As family members' working hours increase, they have less time available to care at home for elderly relatives, which indirectly boosts the requirement for aged care. Hours worked reduced by 0.7%, largely as a result of the pandemic, but is expected to bounce back over the coming years, reigniting demand.

These four influencing factors have aligned to create an environment for growth.

As well as the traditional influences, the sector also has the added factor of the repercussions of the Royal Commission driving additional pressures, challenges, and an imperative for transformation.



Outcomes of the Royal Commission

- Structural reforms have created a new set of challenges for industry operators - the Government has implemented policies to bring in tighter regulatory controls, with more expected.
- The Government is also directing the market to become more consumer driven, leading to more flexible pricing and greater market competition.
- The commission recommended that aged care staff have higher qualifications. This is likely to drive higher wages and the need to increase productivity.
- The increased accreditation requirements have caused some operators to leave the industry, due to the high cost of compliance. We'll continue to see consolidation, with some operators seeking growth through acquisitions.
- Despite growth, profit will continue to be impacted by the cost of responding to Aged Care Royal Commission demands.



Transformation through technology

- Compliance with regulations and processes will be essential for future success and survival.
- As the industry moves to being more market-driven, providers will need a competitive differentiator.
- With some providers leaving the market, and consolidation leading to bigger players, economies of scale will become more important.
- The focus will be firmly on residents and care, meaning that staff have less time for 'back office' processes.
- Staff will be more highly qualified and paid, and will therefore have to be highly productive.
- The industry will continue to evolve as it grows, and must be ready to adapt to market demands.

Professional services industry characteristics

There is an opportunity to leverage technology to help address these challenges and make the most of the predicted growth. The sector is positioned to benefit dramatically from 'digital transformation' - that is, change brought about by digitising processes and updating to more flexible technology platforms.

Digital transformation enables document management, streamlined workflows and automated processes. It enables providers to focus on their core business and not on managing technology. In particular, within the Aged Care sector, it can be a powerful enabler for the following:

Analysis

Using the data in the business to provide in-depth insights into resident well-being, provider performance. Identifying areas for improvement before they become issues.

Financial efficiency and accuracy

Digitised and automated processes for invoicing and financial management. Increasing accuracy and resident/family satisfaction and reducing cost and time.



Compliance

A strict adherence to processes, enabled by automation. Efficient and accurate record-keeping, storage and retrieval.

Productivity

Digitising record keeping and automating processes to free up staff time to focus on resident care.

Flexibility

Replacing in-house, rigid IT systems with managed, cloud-based services that offer greater flexibility to rapidly adapt with the market.

Steps for digitisation

The steps for any Aged Care provider wanting to benefit from digital transformation include:

Digitising documents

Many documents are not 'born digital'; they are created, or come into the organisation in paper format. The very first step to digital transformation is therefore to convert all documentation to digital format. This is known as a 'digital on-ramp', and is the essential foundation for the efficiencies streamlining and automating processes.

Records management

Providers design and implement a sophisticated document management system. This ensures that all records are filed, protected and retained in line with regulatory requirements. It unlocks the data within the documents for business insights and reporting.

Moving IT to the cloud

To fully harness the power of digitisation, providers need to make information and tools readily available. By putting their IT infrastructure into the hands of specialist service providers they gain flexibility to adapt, and free up time and costs to focus on providing service to their residents.

Automating workflows

Once documents are digitised, providers can analyse the way that they are used for service provision, and automate the transfer of documents between staff or departments. Approvals and updates can be managed with the minimum of human intervention for maximum productivity. Compliance with regulations can be 'built-in' to processes, ensuring strict adherence to standards.



The Aged Care services sector has undergone massive changes over the last five years. Particularly from two major events - the COVID-19 pandemic and the Royal Commission - which were not directly of their making, or within their control.

The result is that the sector is at a pivot point - providers absolutely must comply with new regulations if they are to survive. But there is also significant opportunity - with greater investment, a growing need for their services and greater market-led competition. Providers have an opportunity to bring about change that is of their making - by embracing the opportunities ahead of them and harnessing the significant benefits of digital transformation.



References

¹IBIS World - Aged Care Residential Services in Australia - Taking Care: Revenue has increased despite challenges from structural reforms and COVID-19. Arna Richardson, April 2021

² 3101.0 - Australian Demographic Statistics Jun 2019, 19/12/2019, www.abs.gov.au

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