



Aged residential care demand and supply to 2026

Grant Thornton Aged Residential Care
Service Review

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Key messages

- ▶ Demographics rule
 - demand for aged residential care is going to grow

- ▶ Required investment mirrors demand
 - annual growth rate is achievable with right policy and pricing settings

- ▶ Workforce demand growth
 - similar to that observed over last 2 decades
 - need attention from employers and policy makers

Key drivers

▶ Demand for beds

- demographics: volumes, age structure
- utilisation: social/clinical norms, income/wealth, cost, alternatives

▶ Investment

- return on capital

▶ Workforce demand

- staff-to-bed ratios and productivity
- wages

▶ Workforce supply

- demographics
- wages

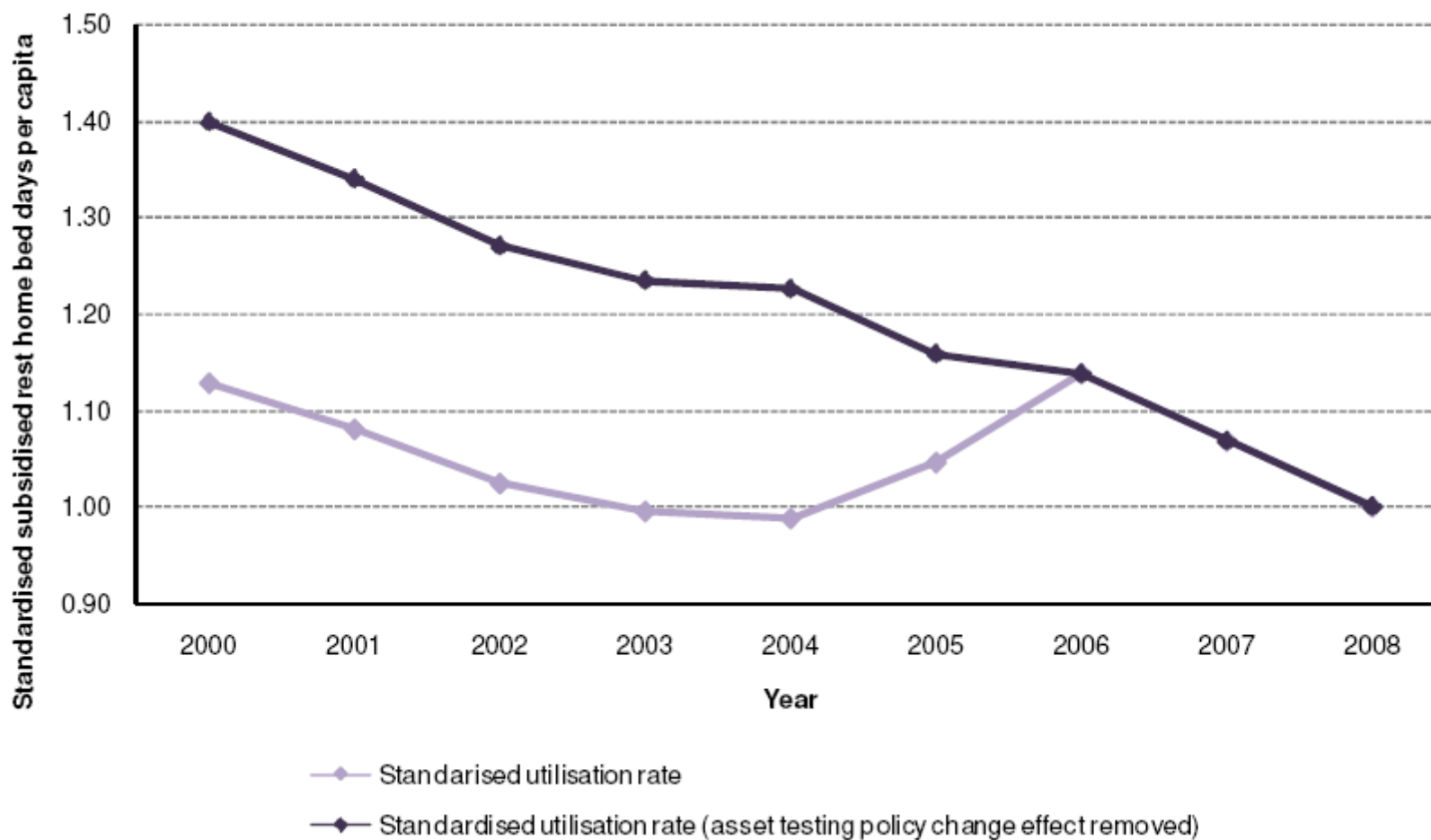
Demographics and utilisation

- ▶ In 2026 there will be twice the number of people aged over 85 than now (58,000 to 116,500)

- ▶ Utilisation of residential care
 - Rest home bed days per capita falling steadily
 - Measures of dependency of residents rising
 - How long can this trend continue?
 - Hospital utilisation (bed days per capita) stable
 - Dementia care utilisation rising

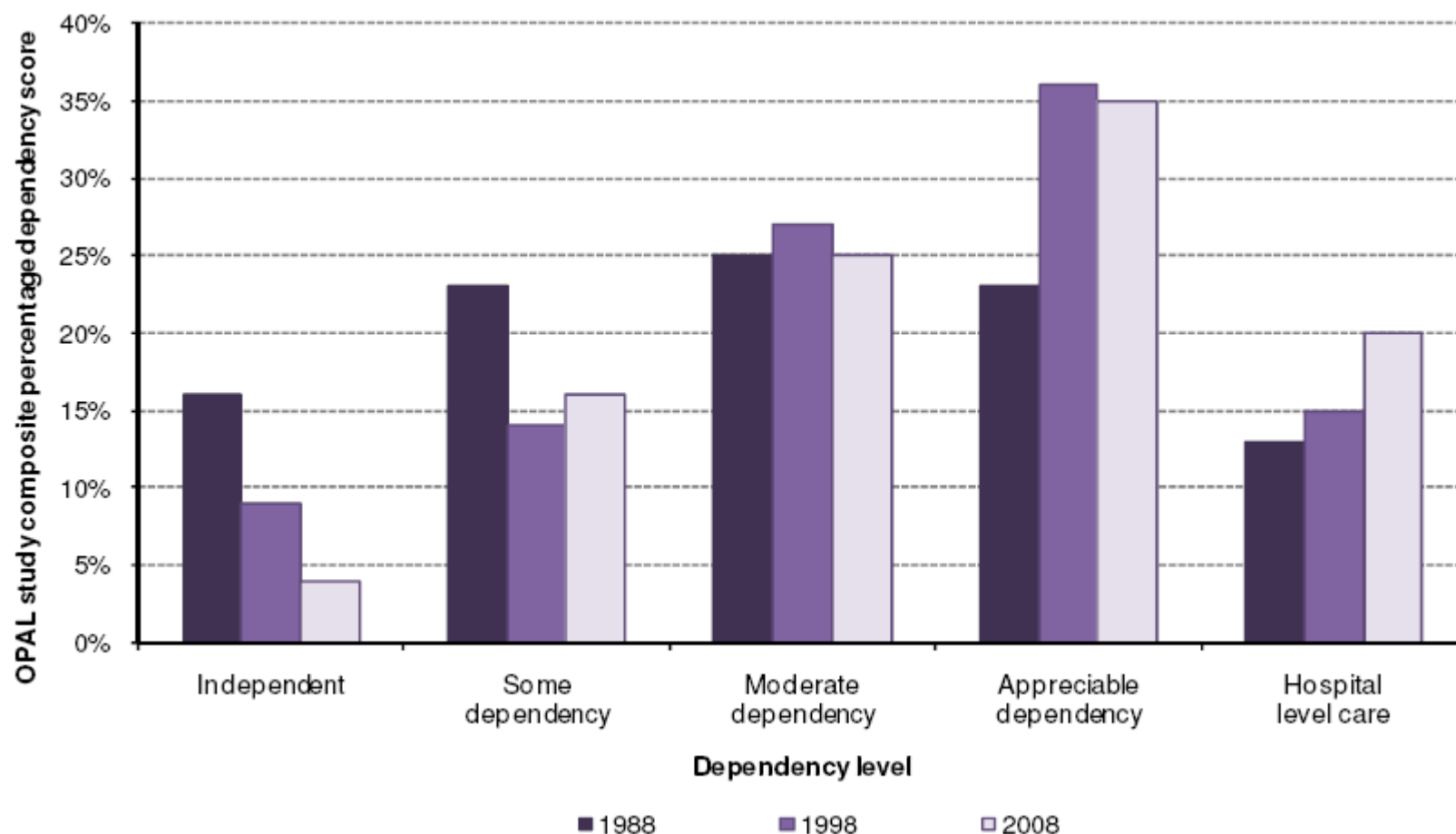
Rest home utilisation has been falling

Standardised subsidised rest home bed days per capita – asset testing policy change effect removed



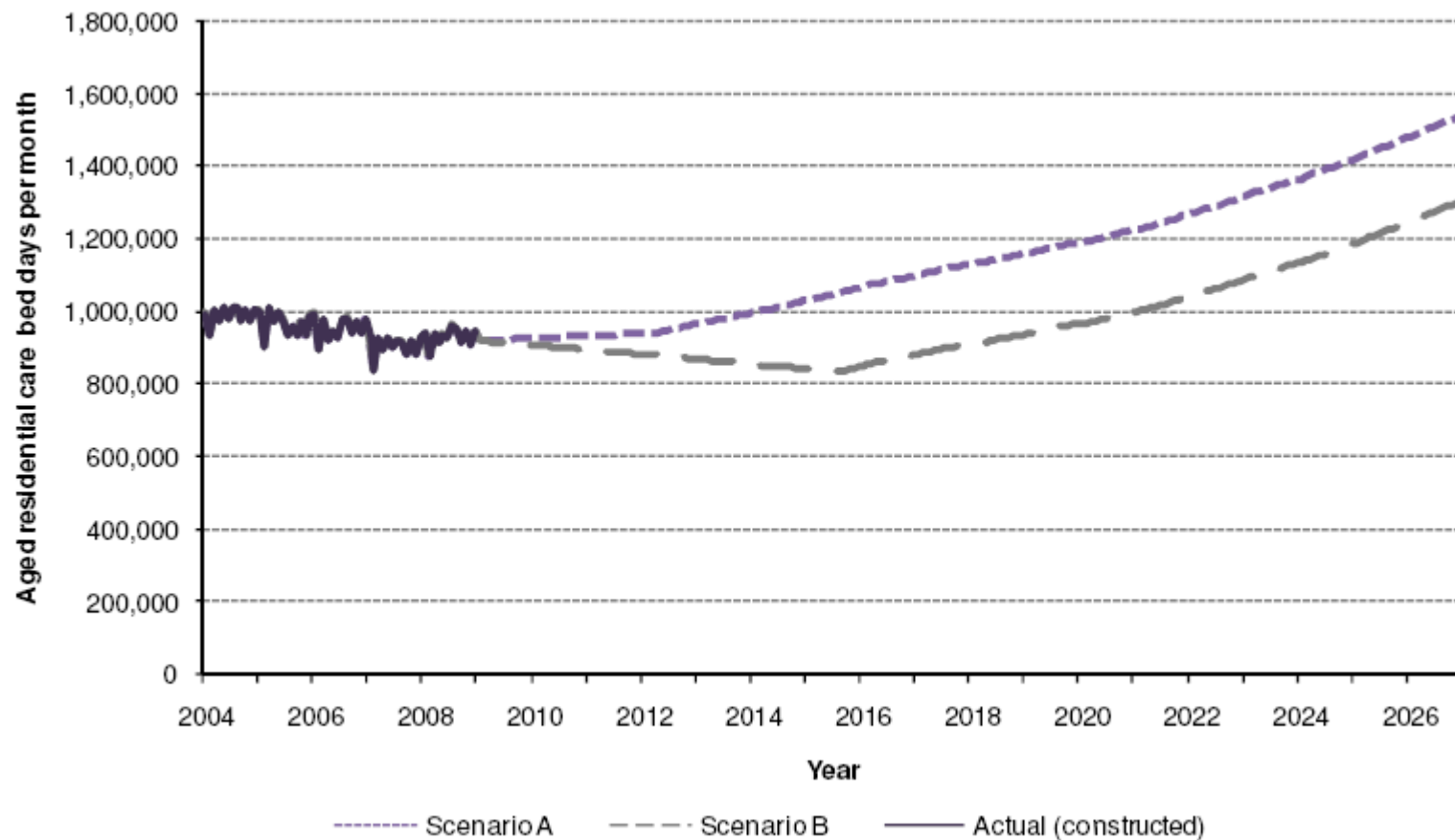
While dependency is rising

OPAL Study - Composite dependency score of all residents 1988 to 2008

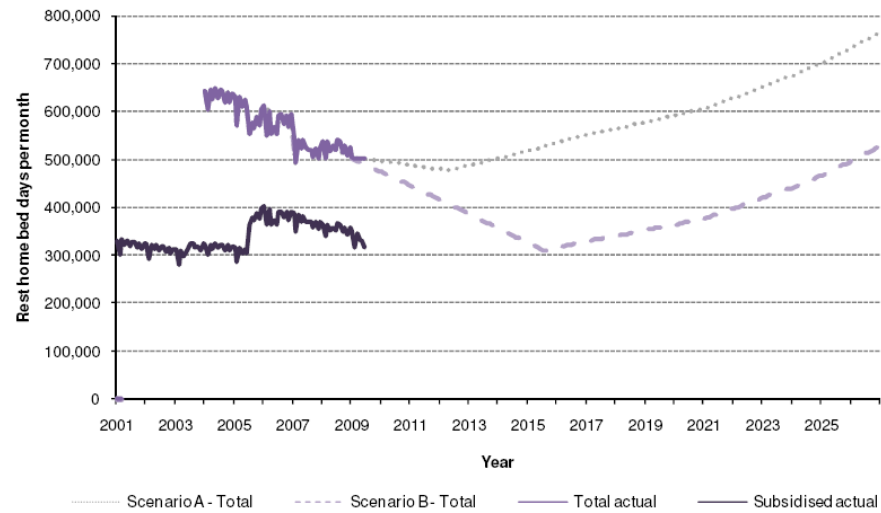


Demand

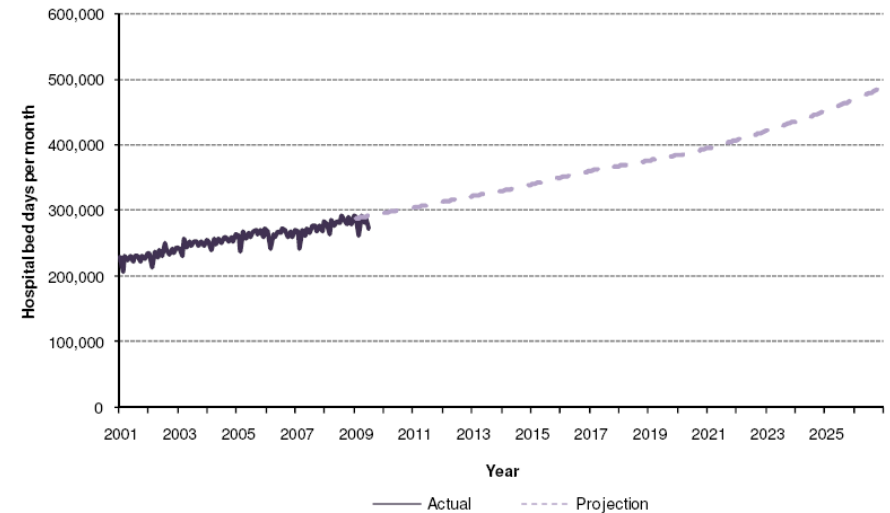
Translates to 32.5k residents rising to 44.5-52.5k in 2026



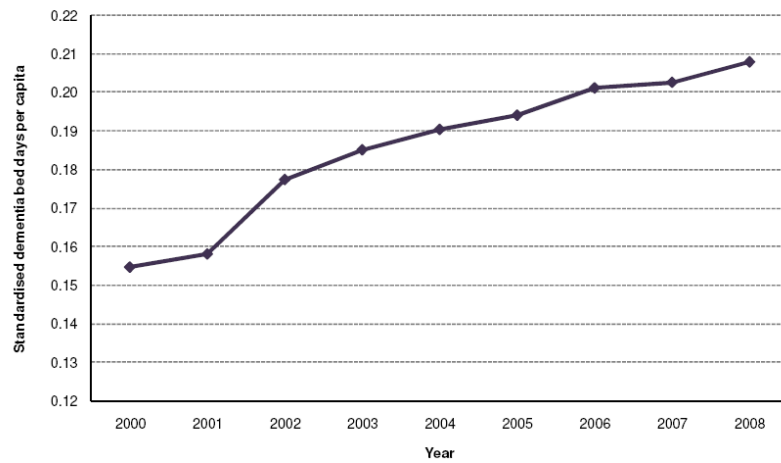
Projected overall (subsidised and full fee paying) demand for rest home beds



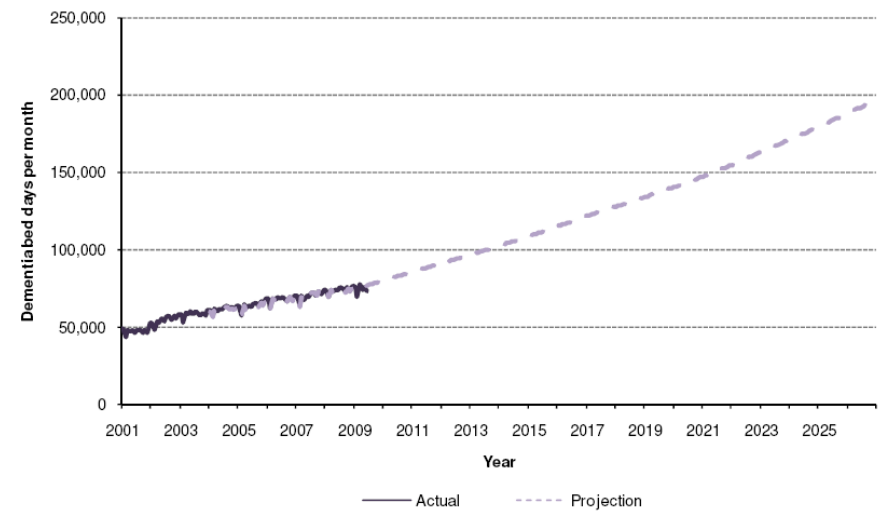
Hospital bed days – baseline projection



Standardised dementia bed days per capita



Dementia bed days - baseline projection

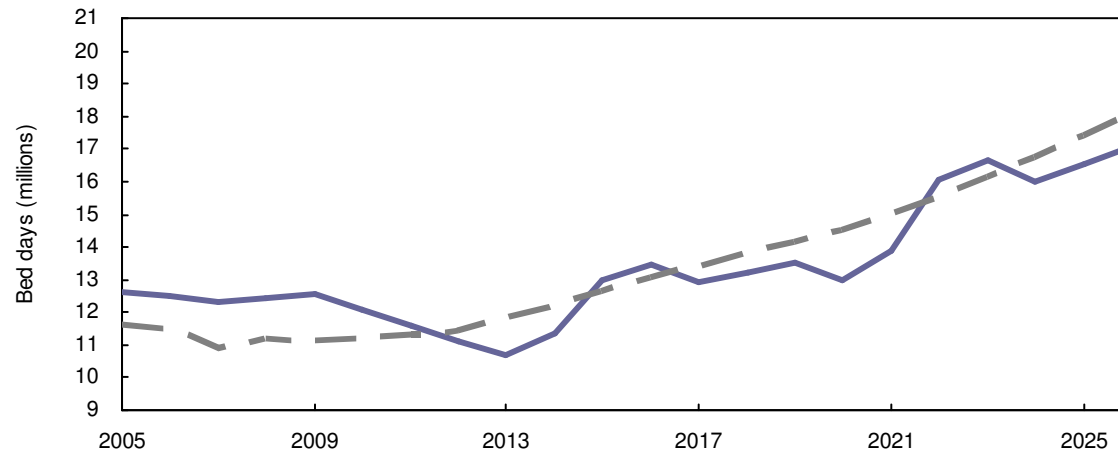


How will the sector respond to this?

- ▶ Investment happens when extra revenues exceed extra cost of supplying beds
- ▶ We focus on rest home beds, assuming that hospital facilities etc will be available
- ▶ Extra beds means more labour. More labour will flow into the sector if wages adjust
- ▶ When labour cost rise, it pushes up cost of provision. Rising bed prices dampen demand

Supply scenarios

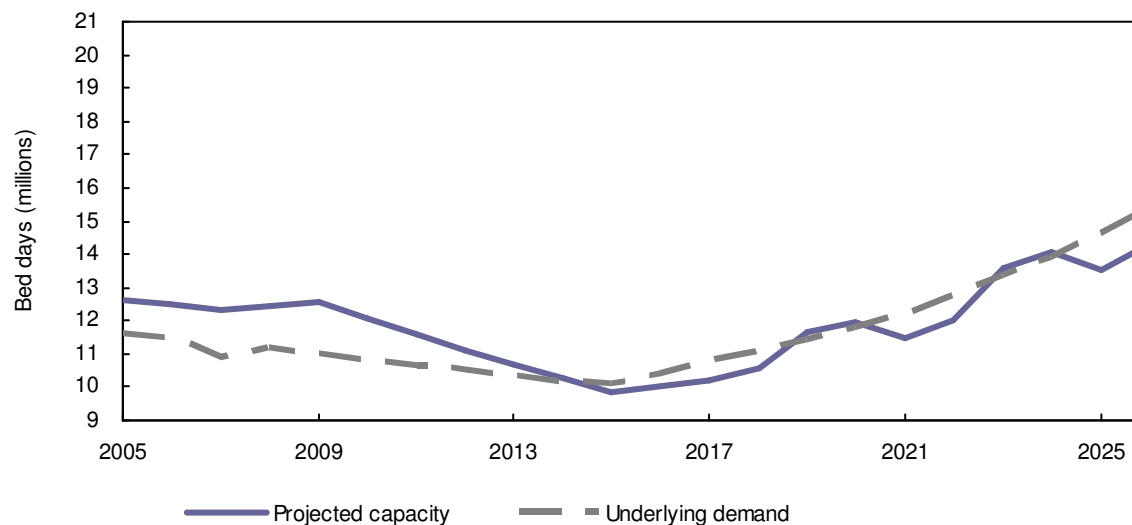
High demand (rising to 52.5k)



Current stock of facilities (34,000) exceeds demand

Investment insufficient to replace stock

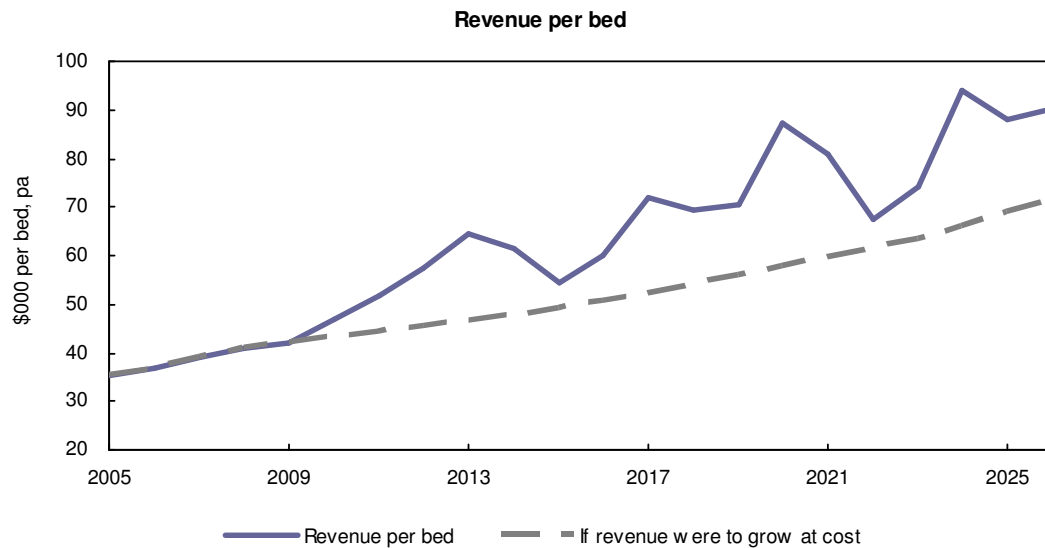
Low demand (rising to 44.5k)



Demand and prices rise until investment kicks in:

- 5-15k more beds
- 26.5-37.5k incl rebuilds

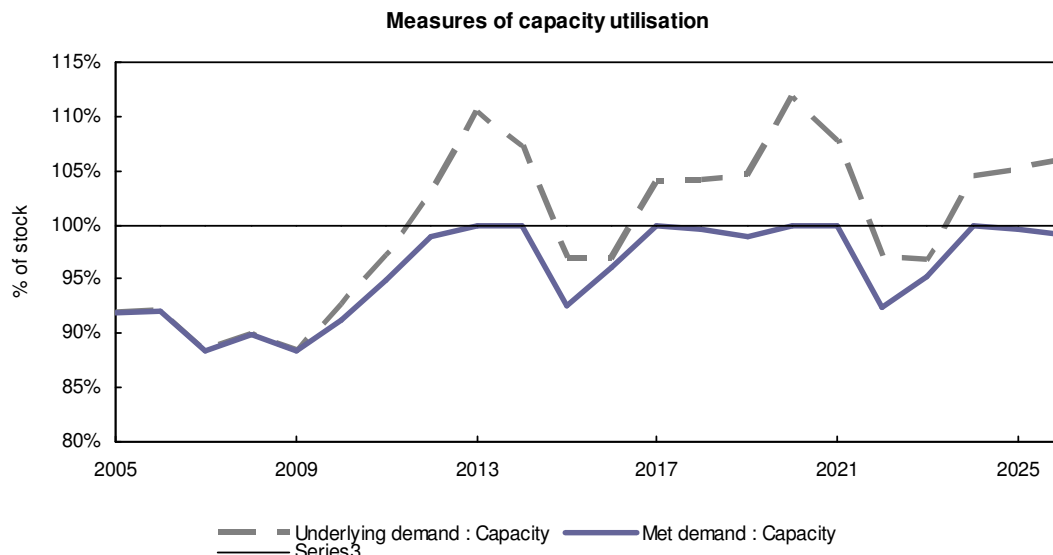
Capacity and revenues



▶ Revenue per bed to grow at ~1.8% p.a. over CPI

▶ Occupancy rates will improve from current levels

▶ Not all demand met; some seek other care



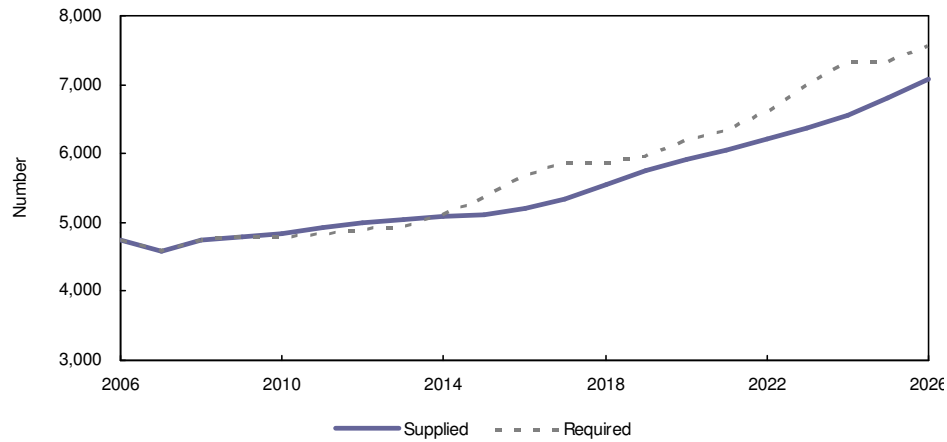
Labour force demand

Full time equivalent staff per 100 beds

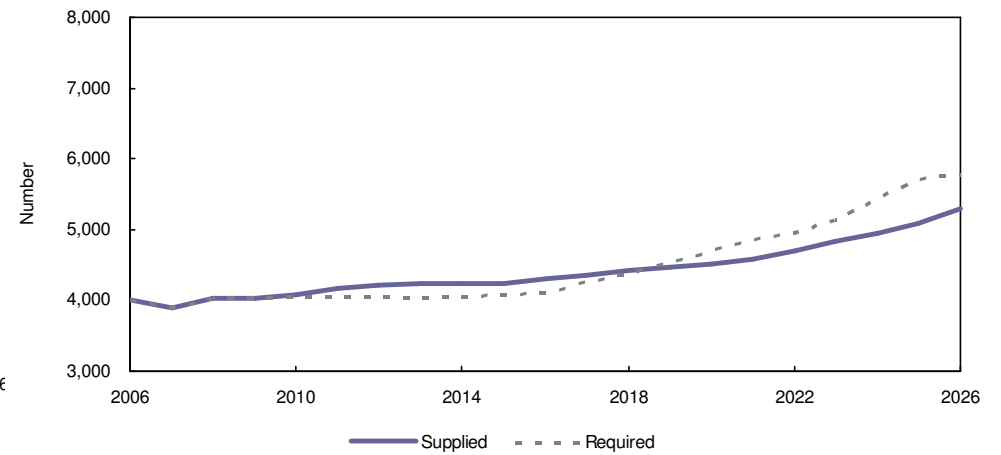
High Ratios	Rest home	Hospital	Dementia	Other
Facility manager	1.9	1.9	1.9	1.9
Nurse	8.5	19.5	13.0	20.5
Caregivers	32.4	49.6	46.4	50.9
Therapists	2.8	3.6	4.3	5.6
Non-Care staff	16.4	16.2	15.2	22.2
Low Ratios				
Facility manager	1.9	1.9	1.9	1.9
Nurse	6.7	17.5	9.5	15.0
Caregivers	29.9	46.7	40.8	43.2
Therapists	2.0	3.0	3.0	3.5
Non-Care staff	13.5	13.0	9.5	13.8

Labour force supply: growth with a lag

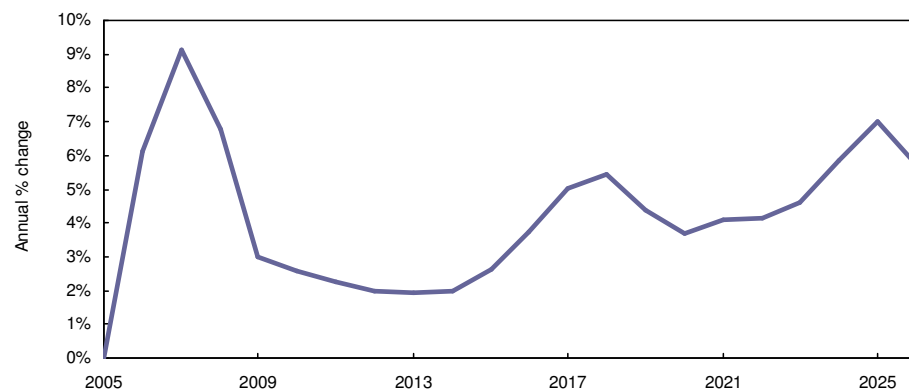
Nurses and managers in the sector



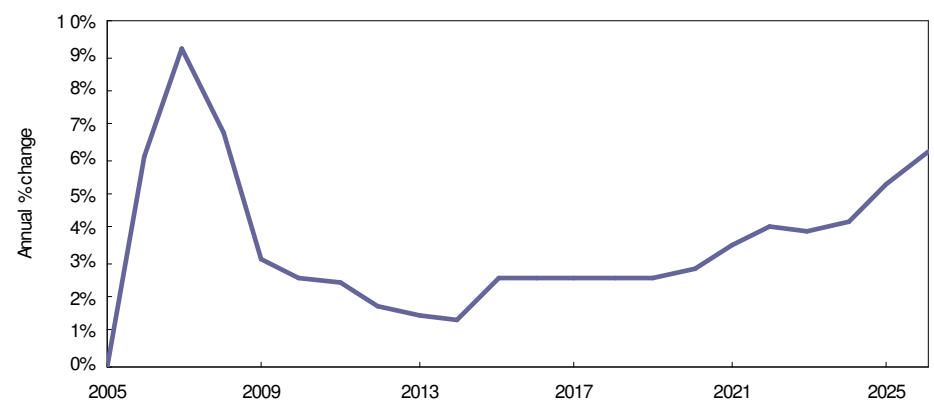
Nurses and managers in the sector



Labour wage inflation

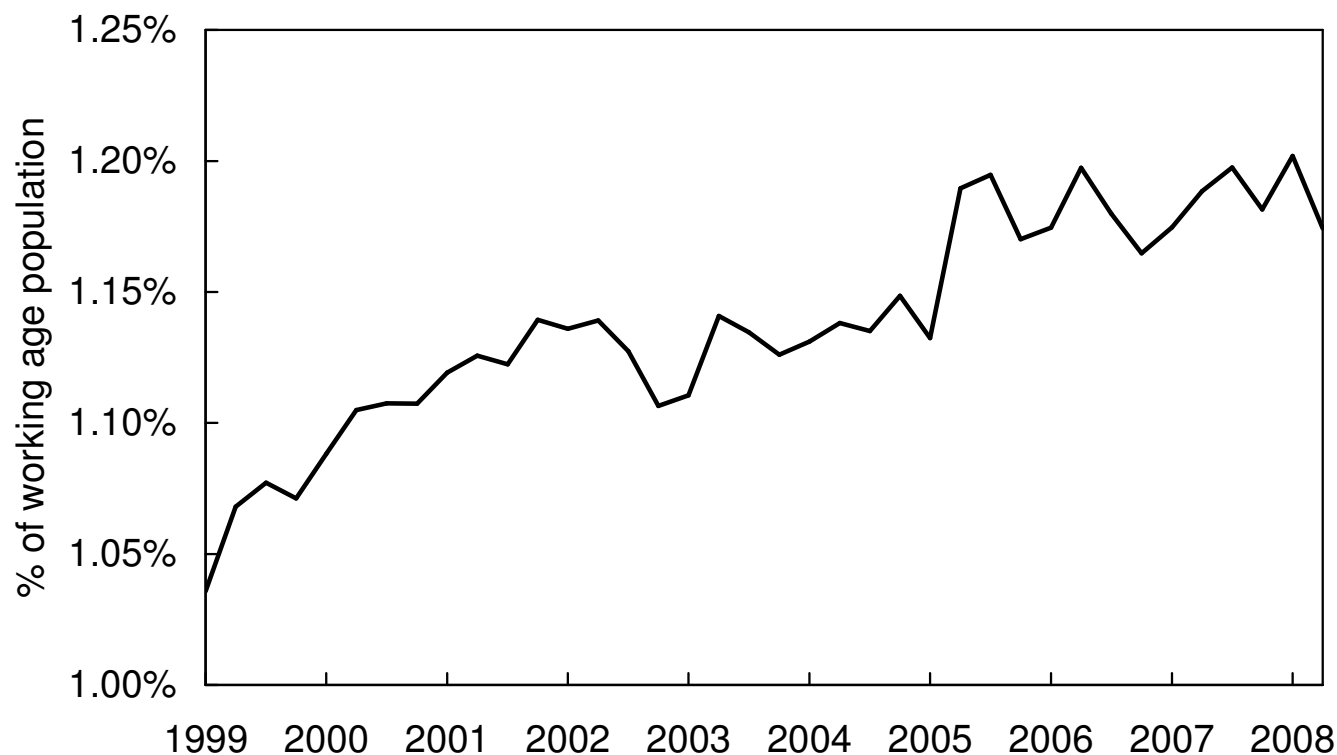


Labour wage inflation



Growth in residential care workers similar to last decades

Residential care workers as a share of working age population



Source: Statistics NZ, NZIER

Labour supply

- ▶ Nurses up from around 4,000 FTEs to 5-6.6k FTEs, 2-2.7% a.a.p.c
 - Active registered nursing workforce grew from 28k in 1994 to 40k in 2008, or 2.5% a.a.p.c
 - Wage pressure of 2-4% real to boost supply over general workforce growth

- ▶ Caregivers from 12-13k FTEs to 16-20k FTEs, 1.8% to 2.6% a.a.p.c
 - Wages roughly tracking CPI

Conclusions

- ▶ Demographics rule, but reducing utilisation rates and lifting productivity can help
- ▶ Projections of scenarios, not forecasts
- ▶ Numbers don't look so scary when you break it down to an annual growth rate
- ▶ Investment will follow demand, and workforce requirements will be met too (with a lag)
- ▶ But both require supportive policy and funding settings and provider efforts