



The Global CEO Advisory Firm

Unlocking sustainable value within the Aged Care sector

What can Australian Residential Care Home providers learn from the UK market?

October 2019



Executive Summary

The challenge

Rising demand, shifting service expectations and resource constraints are creating both challenges and opportunities for those operating within Australia's Aged Care sector. These evolving trends are making it increasingly difficult to meet the needs of all key stakeholder groups and are subsequently placing mounting pressure on sector service providers.

This situation is being compounded by the ongoing Royal Commission into Aged Care Quality and Safety. The resultant spotlight on care provision, and the corresponding media coverage, has had a detrimental impact on both customer trust and wider stakeholder confidence in the market, increasing the urgency with which providers must adapt.

For many, it is hoped that this spotlight on the market will be a catalyst for change. For providers, it raises two key questions:

- 1) How can we rebuild trust in our brand and in the wider Aged Care market?
- 2) Within a resource constrained market, what sustainable service models will enable the equitable provision of customer centric, high-quality Aged Care in desirable settings?

The UK market

Background

When seeking to drive sustainable performance improvement, it is often valuable to leverage learnings from international case studies. For Australia, one market that offers a valuable source of insights is the UK.

Although the Australian Aged Care market has many strengths compared to the UK, both markets have faced similar challenges. The scale and complexity of these challenges within the UK (which have included a period of heightened scrutiny, not dissimilar to that created by the Royal Commission), have driven providers to develop a range of innovative and impactful solutions. It is these solutions that may prove beneficial to Australian providers.

What we can learn

Within the Aged Care space, Teneo has worked for both public and private sector clients. In recent years, this has included numerous leading, UK-based Residential Care Home providers.

We believe that the insights gained from such programmes of work, if appropriately applied to the Australian market, could help providers to build trust

and develop services that sustainably deliver high-quality care that best meets the needs of the evolving customer base. For example, these learnings highlight the importance of: understanding the needs of customers and other key stakeholder groups; adapting to customer willingness to pay; tailoring service propositions; and promoting system-wide integration.

This document aims to provide a high-level introduction to the aforementioned insights. If you would be interested to learn more about the potential applications of our work to date, please feel free to get in touch.



An introduction

Working with the CEOs, Boards and senior executives of the world's leading companies, Teneo provides strategic counsel across their full range of key objectives and issues.

To solve for the most complex business challenges and opportunities, Teneo offers a unique set of integrated services.

These services include:

- Management Consulting;
- Strategy & Communications Advisory;
- Risk Advisory; and
- Capital Advisory.

Our local offer

Founded in 2011, Teneo now has more than 800 employees based in 19 offices around the world.

Having supported clients in the Australian market since 2015, Teneo established its Sydney branch in 2018.

The Sydney office currently advises a number of leading, ASX listed organisations; providing both on-the-ground expertise and ready access to Teneo's global talent pool.

The Challenge



Demographic drivers

As seen in many developed healthcare economies, Australia is facing a sustained period of demand growth driven by an aging population with increasingly complex care needs.

The increase in the complexity of care requirements is the result of a combination of factors, including

continued medical advancements. Such advancements are enabling individuals to live longer with multiple, chronic conditions. However, medical advancements alone do not guarantee a high quality of life. Both quality care management and service delivery are also required to ensure individuals live well longer.



By 2029 the number of individuals **aged 85+** will have increased by **c. 35%**¹



c. 60% of those over 65 suffer from **comorbid chronic conditions**²



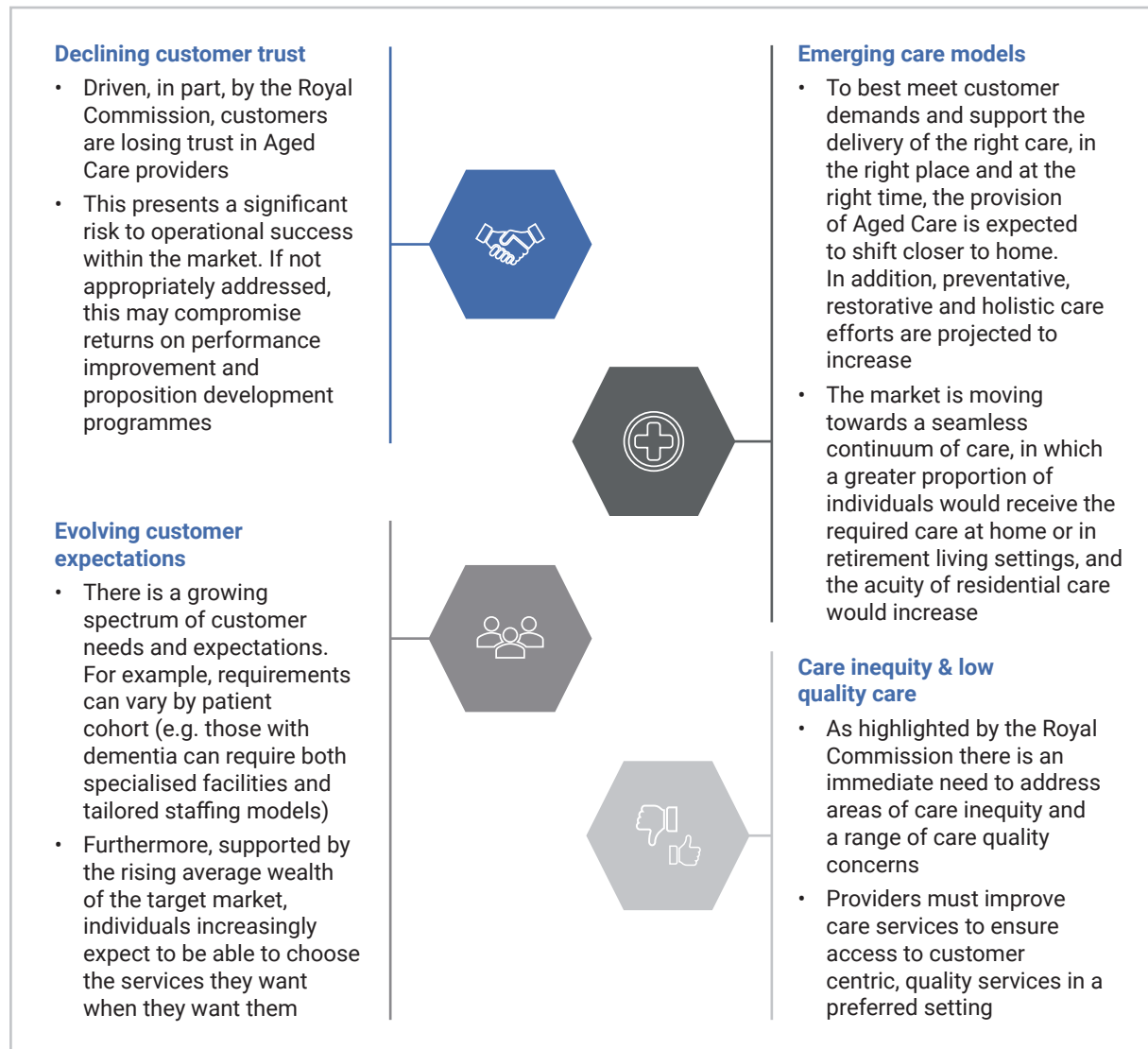
By 2028 the number of individuals living with **dementia** will have increased by **c. 30%**³

Sources: 1) ABS (2018). 3222.0 Population Projections, Australia. Table B9. Population projections, by age and sex, Australia – series B; 2) ABS (2015). National Health Survey: First Results 2014–15. ABS cat. no. 4364.0.55.001. Data only considers select chronic diseases; 3) Dementia Australia (2018). Dementia in Australia: Prevalence estimates 2019–2058. Commissioned research undertaken by NATSEM, University of Canberra

Key challenges faced

Compounding the impact of the aforementioned demographic drivers are a number of additional challenges. Funding and workforce constraints are placing the Aged Care sector under increasing strain.

Furthermore, a decline in customer trust and shifting care expectations are threatening the sustainability of traditional Aged Care service models.



The Royal Commission

As a result of the challenges and trends noted above, providers have been struggling to deliver high quality, customer centric services whilst simultaneously growing the bottom line. The resulting areas of substandard care did not go unnoticed, triggering the Royal Commission into Age Care Quality and Safety, and with it, unprecedented media attention.

For many, it is hoped that the spotlight now placed upon Australia's Aged Care sector will be a catalyst for change. For providers however, this raises two key questions:

- 1) How can we rebuild trust in our brand and in the wider Aged Care market?
- 2) Within a resource constrained market, what sustainable service models will enable the equitable provision of customer centric, high-quality Aged Care in desirable settings?

The UK Market



Background

Although system nuances cannot be underestimated, recent trends within the UK Aged Care system provide some interesting parallels to the current state of the Australian market. These parallels present an opportunity for local service providers to learn

from both the mistakes made and best practices introduced by their UK counterparts.

Several of the more pertinent market trends are noted below:



Reports of poor service quality leading to a period of heightened scrutiny



Existing service inequalities exacerbated by resource constraints



The changing models of care and evolving customer demands...



... including the rising volumes of self-pay customers

What we can learn

The pressing nature of these challenges within the UK market has provided the impetus for step changes in service design and delivery approaches.

Across providers these changes have a number of commonalities, with providers that successfully delivered impactful service improvements having typically applied the key learnings noted below:

Aims: Rebuild trust in our brand and in the wider Aged Care market; Enable the equitable provision of customer centric, high- quality Aged Care in desirable settings		
Understand the Aged Care value drivers 1 To unlock value a granular understanding of key performance levers (including current performance, industry best practice, and market trends) is required	Commit to understanding stakeholder needs 2 To improve health outcomes and service satisfaction providers must invest time and resources to thoroughly understand the needs of customers, families, staff, etc.	Adapt to customers' willingness to pay 3 To optimise value for care, service propositions should be based on a robust analytical review of customer preferences and, importantly, their willingness to pay
Consider the value of tailored services 4 To maximise service value by customer segment (e.g. self-pay/ subsidised), it may prove beneficial to develop separate models tailored to each distinct customer group	Seek opportunities to promote service integration 5 Vertical integration helps providers to meet customer needs in preferred settings (e.g. by offering access to home care, preventative and/ or restorative services)	Develop an effective pricing strategy 6 A robust and appropriately flexible pricing strategy can be a means of effectively capturing market share and managing occupancy levels
Allow for model flexibility 7 To future-proof service provision within an ever evolving regulatory, technology and customer landscape, models must have an inherent flexibility	Seek inorganic expansion opportunities 8 Adapting to regulatory changes and market trends can prove too resource-intensive for some providers, presenting others with inorganic growth opportunities	Unlock efficiencies at scale 9 Although larger providers may benefit from operational and organisational optimisation, this must be balanced with the need to deliver quality services on the ground



UK Case Studies

Case studies

Teneo has undertaken numerous projects for UK-based Aged Care service providers, ranging from large scale transformations to granular performance improvement initiatives. The learnings gained from these programmes of work provide key insights on how best to adapt to the aforementioned market trends.

Of the challenges facing Australia's Aged Care providers, building trust during a period of heightened scrutiny is currently the most pressing. Consequently, the case studies detailed within this report focus on the approaches taken by UK providers to successfully unlock sustainable performance improvements and thereby enhance stakeholder trust.

When seeking to enhance customer trust, one must first develop an in-depth understanding of both customer and wider stakeholder groups' needs. For example, by developing a robust understanding of what customer groups deem to be of value, it is possible to sustainably improve customer experience, and with it, quality of life.

Teneo has a wealth of experience utilising frameworks, underpinned by detailed analytics, to help providers determine what services and/or service attributes are truly valued by customers (an example of which is noted in the case study overleaf). The findings from such preference analysis has successfully informed the adaptation of both care and ancillary service propositions to better meet the needs of customer groups, and thereby maximise the value of care provided.

Case Study: Developing tailored service propositions that best meet customer needs

LEARNINGS

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Context

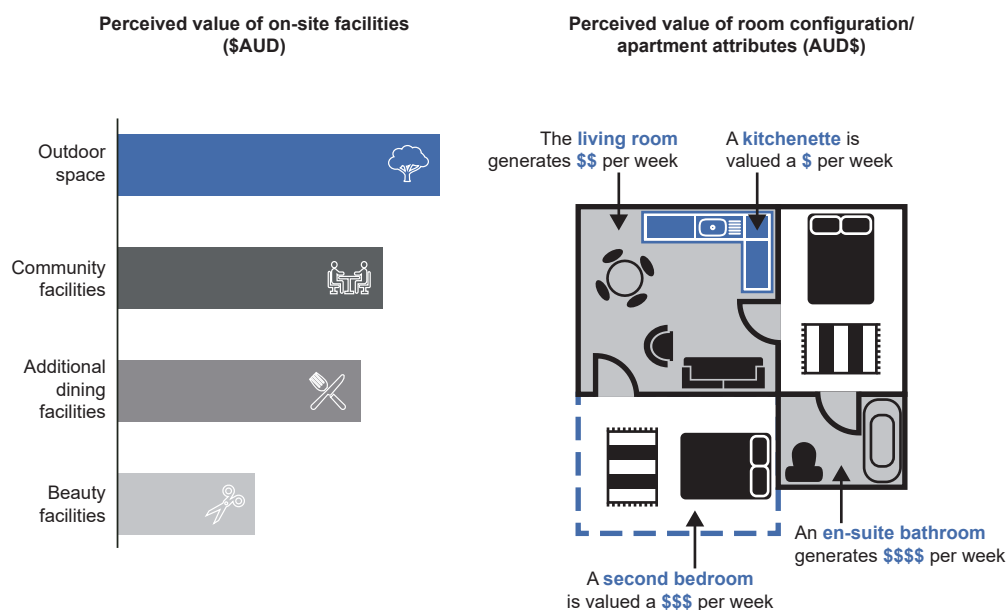
Faced with increasingly challenging market conditions, a leading UK Residential Care Home provider was experiencing increased competition and the underutilisation of some portfolio assets.

Approach

To address the above, and to create a robust business development plan that appropriately accounted for existing and anticipated market dynamics, a three stage programme of work was undertaken. This programme included:

- 1) Buying behaviour and preference analysis: An in-depth customer insights programme was undertaken. This focused on developing a granular understanding of buying behaviours, customer preferences and willingness-to-pay (example analysis shown below).
- 2) Financial performance review: A detailed review of each asset's financial performance was conducted, assessing the impact of key performance levers.
- 3) Tailored proposition creation: Based on the collective findings of the above analysis, a revised service proposition was developed, which better matched the demands of the target market. To support the roll-out of the new proposition, an updated pricing strategy was also created.

Example preference analysis



Outcomes

The solution developed enabled the Residential Care Home provider to offer improved value for money and tailored services that best met the requirements and preferences of its customer base. This, in turn, supported an uplift in utilisation across a number of underperforming care homes.

Case Study: Understanding and enhancing internal residential care home performance

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Context

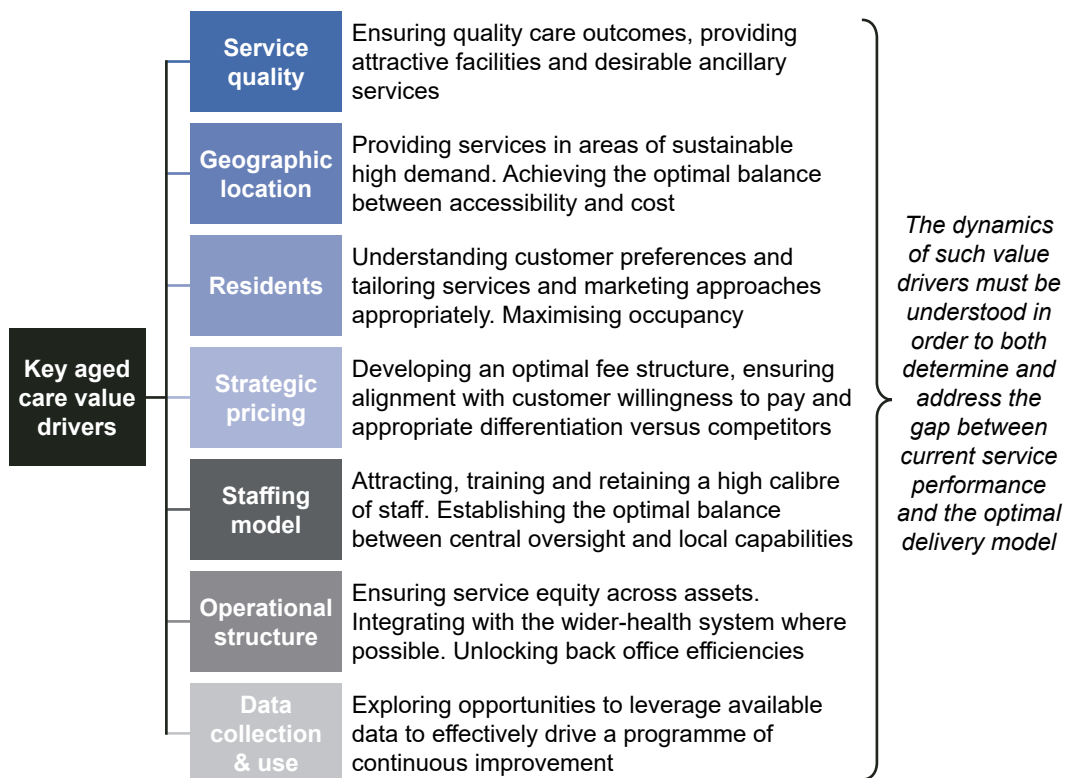
A leading UK Residential Care Home provider had ambitious short- to medium-term growth aspirations. However, due to the challenges facing the UK market, the feasibility and potential value of the proposed plans were in question.

Approach

In order to conduct a thorough review of the business plan, two key stages of analysis were required:

- 1) In-depth market dynamics review: The impact of Aged Care value drivers were modelled in detail. The model considered both known and projected market dynamics, spanning underlying service demand through to regulatory changes.
- 2) Performance benchmarking: To ascertain the quality of the services offered, the provider's performance was benchmarked against key competitors. Due to the customer-focused nature of Aged Care services, it was important to use both quantitative and qualitative metrics to support this analysis.

Example residential care home value drivers



Outcomes

As a result of the above analysis, the business plan was refined. This required the adjustment of several key assumptions, such as occupancy, service mix and pricing. By enhancing its understanding of current and anticipated market dynamics, the Residential Care Home provider was able to establish a robust business plan that supported the realisation of short- to medium-term growth.

About Teneo

An Introduction to Teneo

Teneo is a market leading CEO advisory firm that works with the CEOs, Boards and leaders of the world's largest and most complex companies. Teneo has extensive experience supporting health and social care providers to navigate complex market challenges, drive growth and unlock sustainable performance improvements. Operating across a range of geographies and having served a broad range of clients, our Global Health & Social Care

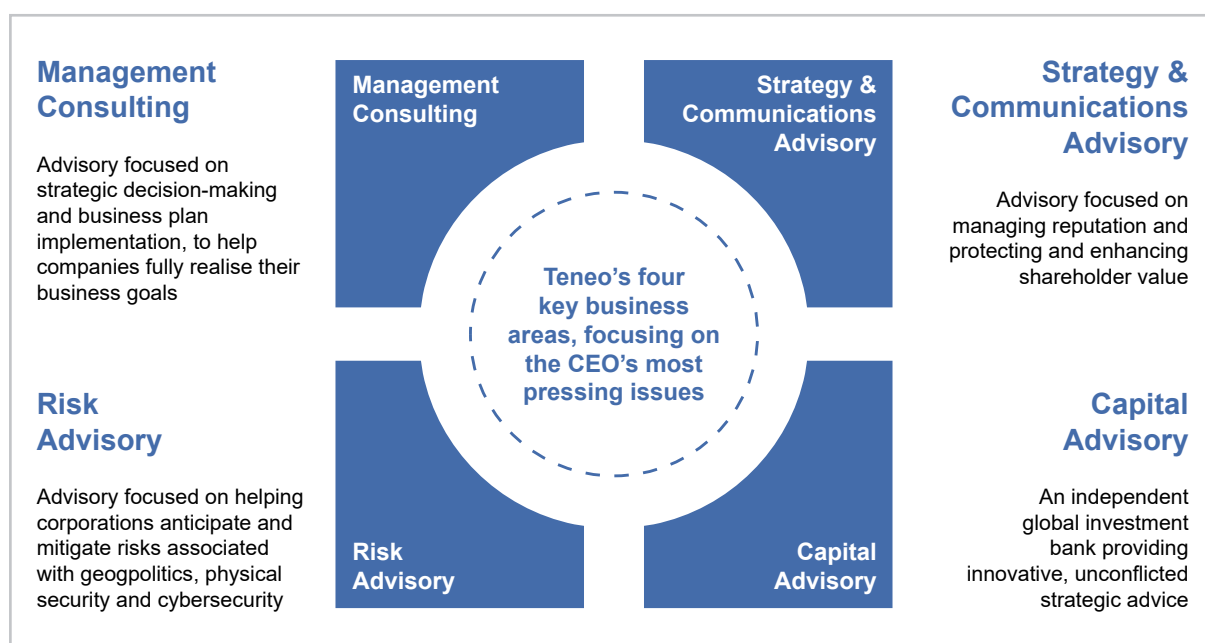
practice brings an in-depth understanding of market dynamics and best-practice solutions.

Within health and social care, key client groups have included: Residential and Domiciliary Care, Primary Care, Secondary Acute Care, Diagnostics, Mental Health, Community Care, Health Consumer, Fitness and Wellbeing, and Special Education and Fostering.

Our global offer

Founded in 2011, with a vision of redefining the advisory industry, Teneo now has more than 800 employees based in 19 offices around the world.

Across these offices, our teams provide clients with a unique set of services and a non-replicable group of diverse, highly talented senior professionals.



Contact us

For more information on Teneo's local offer and our Healthcare expertise, please contact:



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