

A Centre for International Corporate Tax Accountability & Research (CICTAR) Report



CARELESS ON ACCOUNTABILITY: IS FEDERAL AGED CARE FUNDING SIPHONED AWAY?

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EXECUTIVE SUMMARY

This report provides several case studies of large Australian aged care operators that demonstrate the urgent need for government reforms to require transparency and public accountability on federal aged care funding. The Royal Commission's two-year review found a system characterised by neglect, the title of its interim report. Despite major recommendations little has been done to reform the underlying structural problems in the sector. Providing additional funding without improving transparency and accountability will not improve care. Those already profiting from the publicly funded sector may line their pockets further while understaffing and neglect continue.

This report, using publicly available sources, examines the following aged care operators and finds some concerning uses of federal aged care funding.

- ⇒ **Regis**, a stock market money spinner, doles out dividends and maintains the cofounders and largest shareholders as some of Australia's wealthiest men.
- Little Company of Mary Health Care Ltd, a large non-profit Catholic healthcare operator, better known as **Calvary**, paid \$380 million to take-over the formerly ASX-listed aged care operator **Japara**. Where did a non-profit aged care provider find \$380 million? Aged care appears to be a profitable business for the "Little Company of Mary". While Japara's track record on care is troubling, top shareholders made a killing in the sector.
- ⇒ Bolton Clarke, has built an aged care empire in just five years is now the largest non-profit aged care operator in Australia. Bolton Clarke paid \$700 million to purchase Allity, a private equity owned company with a chequered history of care. The non-profit charity also has a \$700 million "development pipeline" and investments in China that may be supported with proceeds from federal aged care funding.

- Southern Cross Care, along with two other South Australian non-profits, also has investments in China's aged care industry which may have been subsidised using Australian aged care federal funding while its facilities were understaffed.
- ⇒ **Blue Care**, UnitingCare Queensland, has been raking in \$160 million in JobKeeper payouts in the last two years while continuing to increase revenues. In the most recent year, \$28 million was paid directly to the Uniting Church Queensland, including for compensation of the Church's victims of child sex abuse.
- ⇒ Aegis, the largest aged care operator in Western Australia, is fragmented into multiple smaller operating companies which are not required to file annual financial statements and the growing aged care dynasty appears to hide wealth in a labyrinth of family trusts.
- ➡ Tricare, one of Queensland's largest aged care operators, is owned through complex corporate structures ending in Norfolk Island, a full-fledged tax haven until 2016 which still maintains exemptions from capital gains tax. After recent scrutiny a key entity in the family-owned business, has changed names and ownership structures have been altered in an apparent effort to further obfuscate the trail of millions in federal aged care funding.

Residents of Australian aged care facilities deserve to be treated with dignity and respect, not as a steady and stable source of public funding. The predominately female – and often immigrant – aged care workforce are some of the lowest paid workers in Australia. These are matters of human rights for residents and workers and systemic discrimination must end. As the Royal Commission and pandemic have exposed, this sector is in crisis and workers urgently need more time to provide quality care. Reforms to require transparency and accountability, so that public funding is directed at care, are clear and simple. What has been missing is the political will.

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INTRODUCTION

The crisis in aged care has only deepened a year after the Royal Commission issued its final report. The impact of the Omicron variant in aged care facilities has been and continues to be even more devastating than previous waves of COVID. Meanwhile, very little has been done to address underlying issues which were widely known and acknowledged many years prior to the Royal Commission. The government has failed to deliver the reforms and regulation that are long overdue and federal funding continues to flow to aged care operators without accountability.

CICTAR's work on Australian aged care began in May 2018 with the publication, under the umbrella of the Tax Justice Network - Australia. of a report with a detailed review of tax avoidance by the largest for-profit aged care companies.1 Subsequently, Bupa - then the largest for-profit aged care operator in Australia - reached a \$157 million settlement with the Australian Taxation Office.² Despite a Senate Inquiry and exposure of profit-shifting schemes by other large aged care operators, the underlying problems of a lack of accountability on public funds have not been addressed.3 While some operators may have increased transparency, overall regulation and reporting in the aged care industry has not significantly improved.

In May 2019, CICTAR wrote a report on the largest family-owned aged care operators⁴ and in July 2020 published a report on the largest non-profit aged care operators.⁵ While many non-profit aged care entities seek to provide the best care with available resources, many of the largest non-profit aged care operators were also found to be using public aged care funding to buy property and grow the business at the expense of quality care for residents and decent wages and conditions for workers. Recently, non-profit operators have spent over \$1 billion to take over Allity, a major private equity owned aged care operator, and ASX-listed Japara.

While public perceptions of the aged care sector have shifted and the Royal Commission further exposed structural problems, there has been no substantive increase of accountability on public funds, only an insufficient and often mis-directed increase in funding. The government has failed the sector, residents and workers, and largely ignored the majority of recommendations of the Royal Commission.

Recently CICTAR has exposed examples of some of the largest aged care operators in <u>Canada</u>,⁶ the <u>UK</u>,⁷ <u>France</u>⁸ and across Europe who are also siphoning public funds away from care and extracting profits from a largely publicly funded industry. Without requirements for transparency and accountability, similar profiteering schemes are repeated everywhere. As in Australia, front-line care workers around the world cannot speak out when residents face abuse and neglect. This is a systemic problem when care is turned into an asset class for investors – or in Australia to subsidise the growth of non-profits – rather than to prioritise care for some of societies' most vulnerable members.

It was one of Prime Minister Scott Morrison's first acts to call for the Royal Commission in the wake of a two-part ABC Four Corners special on aged care. This only served to delay action on the aged care crisis. Residents and workers are still waiting but the problems and solutions are clear. The Aged Care Minister, Richard Colbeck, has been missing in action and has failed to show empathy for aged care residents and front-line care workers. The government has had clear guidance on what was needed and has failed to deliver. While the federal opposition has called out government's failures in aged care, it has yet to put forward a plan to fix the sector.

The deaths caused by COVID, many preventable, have only increased in successive waves of the pandemic. COVID dramatically laid bare understaffing as a structural issue and the situation has continued to deteriorate. Chronic understaffing and low pay have not been addressed and now workers are leaving the industry in record numbers. One recent survey of aged care workers found 37% planned to leave their job within 1-5 years and that 21% planned to leave in the next 12-months.9 Around the same time, another aged care worker survey had similar results and indicated that more than half of the current workforce intended to leave over the next year. 10 The solutions are not complicated but require political will. The sector will need further public support to improve staffing levels and wages, but greater transparency and accountability on public funding is an absolute pre-requisite.

There is a growing concentration of large operators in the aged care sector, but it is still highly fragmented. Many providers genuinely struggle to deliver the best care with the available resources. Greater transparency and accountability should benefit the entire sector by ensuring that public money is spent as intended by all recipients. After a brief overview of the residential care sector, this report looks at case studies of several large and diverse for-profit and not-forprofit aged care operators to highlight the urgent need for increased accountability and the impacts a lack of transparency has on the quality of care. There are many other additional examples of a lack of transparency and accountability in aged care that are not been included in this report. The Conclusion provides recommendations for reform.

INDUSTRY OVERVIEW

Demand for quality aged care is great and steadily increasing. In 2019-20 over one million people accessed some form of aged care.¹¹ The aged care sector provides a wide range of services in different settings including at home care, community-based care and different forms of residential care. Residential aged care provides support and accommodation for people who are not able to live independently.

While the majority of aged care takes place in private homes and community settings, the majority of funding is spent on residential care. ¹² In 2021, there was Commonwealth funding for 219,585 residential aged care places. There were around 860 providers of aged care, and total funding for these places was over \$14 billion.

Private, for-profit providers account for 41% of funded residential care places, while religious (23%), charitable (19%) and community-based (13%) services take up most of the remainder. There are also a small number of state (3%) and local government (0.5%) run services.¹⁴

The total number of people working in the residential aged care sector is 277,671, of which 208,903 were engaged in direct care roles, according to the most recent aged care workforce census. The majority of these workers are employed as personal care workers, with a smaller proportion employed as nurses and allied health professionals. Pay and conditions for workers in the aged care sector have been roundly criticised as inadequate to ensure stable and suitably qualified staffing. The recent Royal Commission included a recommendation that government, industry and unions collaborate on improving pay and working conditions, including increased staffing to allow for more time spent with residents.

It is well understood that demand for aged care will increase in the coming years as the number of people over 65 increases.18 It is also very clear, given the findings of the Royal Commission into Aged Care Quality and Safety, that the sector is already in crisis and already failing many of the hundreds of thousands of families who rely on it.19 The Commissioners estimated that 1/3 of residents in aged care facilities have experienced substandard care.20 Incidents of assault affect 13-18% of residents. Almost half of all residents in aged care facilities have concerns about the number of staff, responsiveness and the use of agency staff. The Royal Commission found that substandard care has become normalised in the aged care system.21

Aged care funding is set to increase due to rising demand in coming years, and more funding has been promised based on the widespread system failures exposed by the recent Royal Commission. However, it is not clear that these funding boosts will be linked to performance indicators or other factors to ensure that the required objectives are being met and improvements are being made. This is standard in many other highly regulated and publicly funded sectors, like early childhood learning.

The worst performers on quality of aged care are large for-profit providers, while the strongest performers are small facilities run by state governments. However, prevailing financial and business models, which are supported by federal government regulation, drive concentration in the sector, meaning that the best performing facilities are the fastest shrinking.²² By 2020, private providers in aged care have grown from 27% of the market in 1999 to 41%, and almost half of all aged care providers are private operators.²³

The entities profiled in this report include some of the largest residential aged care operators in Australia, according to number of places and funding. The organisational structures, financial performance and quality of care records, as detailed here, demonstrate some of the systemic failures in the aged care sector, which appears designed to grow the wealth of operators rather than meet the needs of people in care.

The following table provides a list of the seven aged care operators included in this report, including numbers for recent acquisitions, with the total number of aged care places (beds), total

funding in 2021 and an estimate of additional funding received from the government's announcement to provide an additional \$10 per day per resident for food. These operators received an estimated \$110 million in supplemental funding intended to improve the quality of food. The Department of Health has not been able to publicly show how aged care operators have spent this additional funding or indicate any improvement in the quality of food.²⁴ These seven operators collectively had 30,164 residential aged care places and received over \$2 billion in funding, this was nearly 14% of total aged care places and nearly 15% of total aged care funding in 2021.

Provider	No of places	2021 funding \$ millions	Additional funding for food \$ millions
Regis (ASX-listed)	7,177	\$479.3	\$26.1
Bolton Clarke (charity, combined w/ Allity)	6,481	\$437.4	\$23.6
Calvary (religious, combined w/ Japara)	5,962	\$385.5	\$21.7
Blue Care/UnitingCare Queensland (religious)	4,556	\$340.5	\$16.6
Aegis (private family-owned)	2,982	\$185.7	\$10.8
Southern Cross (religious)	1,441	\$111.2	\$5.2
Tricare (private family-owned)	1,565	\$106.9	\$5.7
TOTALS	30,164	\$2,046.5	\$109.7

REGIS HEALTHCARE

Stock market money spinner

Regis Healthcare is one of the largest national aged care operators in Australia, along with Opal, Bupa, Estia and Bolton Clarke, and is the largest ASX-listed aged care company in terms of stock market value.

Regis operates 65 residential aged care facilities, with over 7,000 funded places, as well as home care services, retirement villages, and therapy and respite centres. In 2021, it recorded revenue of \$701 million, 71% of which (\$500 million) derived from government. It recorded a pre-tax profit of \$29 million and net cashflow of \$105 million.²⁵

Regis cofounders Bryan Dorman and Ian Roberts each control 27% of the company's shares through individual private companies. The annual company salaries of \$150,000 and \$130,000, respectively, are dwarfed by the \$5 million received by each in shareholder dividends in 2020-21.²⁶ Both featured on *The Australian*'s 2020 Rich list, Roberts at 184 and Dorman at 233.²⁷ Dorman also has interests in commercial real estate and racehorses.

Roberts and Dorman each pocketed \$38 million when Regis floated on the Australian Stock Exchange in 2014.²⁸ Currently their stakes in the company are valued at around \$176 million.



Mansion in Kew, Melbourne owned by Regis Healthcare's Ian Roberts (estimated wealth \$616 million)



Regis Healthcare founder Bryan Dorman's (estimated wealth \$459 million) home in Montrose Court, Toorak, Melbourne

In FY21, Regis paid a dividend of six cents per share. This resulted in distribution of \$18 million to shareholders and was the source of the \$5 million each for Dorman and Roberts.²⁹ Yet dividends have been much larger in recent years, over three times higher in 2017 at 20 cents a share, giving the owners an even greater windfall: \$16.7 million each for the year.³⁰

In August 2021, Regis revealed it had underpaid workers over the prior six years around \$40 million in total.³¹ During each of those years, the CEO received over \$1 million in total remuneration. The exception is 2021, when no bonus was paid, leaving remuneration at \$767,000.³²

Failing staff and residents

While millions are being paid out to shareholders and executives, Regis Aged Care workers are among the lowest-paid working for major providers, and people in Regis care homes are neglected.

Regis has been exposed for several appalling failures to provide basic care for residents. As recently as March 2021, an 89-year-old woman died in devastating circumstances after being neglected at Regis Birkdale care home.³³ The woman received grossly inadequate health care that led to gruesome bodily deterioration.

Regis Nedlands, a supposedly luxury home, came under the spotlight in an ABC report exposing its neglect of an 86-year-old man.34 Lea Hammond discovered that her father, Brian Hunter, a double amputee who uses a wheelchair, had been left alone on a rooftop terrace in the sun on a 40 degree day between the hours of 1pm and 3pm. Mr Hunter was left 'dehydrated, delirious and suffering serious blisters and burns'.35 He was not noticed by any staff, despite requirements to check on residents every hour. Instead, Mr Hunter was rescued when another resident's visitor noticed that he was unconscious on the terrace, after which he was rushed to hospital by ambulance. Mr Hunter died in hospital several weeks after the burns, during which time he was never able to stay awake long enough to eat.

Reflecting what appears to be a systemic lack of accountability amongst many aged care operators, Regis' response was to shift blame to the resident. It claimed Mr Hunter wheeled himself outside and fell asleep in the sun, which contradicted CCTV evidence.³⁶

Regis has been sanctioned for what families describe as a 'culture of neglect'³⁷ at its Nedlands facility, in which there were allegations of physical abuse³⁸ and where failure to notice and address injuries has led to disastrous consequences.³⁹ Also at Regis Woodlands, one family complained that Regis failed to properly manage their mother's medication, leading to a series of falls and fractures. Amina Schipp said the last three weeks of her mother's life were 'absolute torture'.⁴⁰ Despite sanctions and regulatory activity, there are concerns that current quality and safety regulations do not address the core of the problem: the need for adequate numbers of highly trained staff.

CALVARY & JAPARA

Where did a non-profit aged care provider find \$380 million to buy Japara?

Japara was one of the largest residential aged care operators in Australia, operating 50 care homes and 5 retirement villages, with places for almost 5,000 people in care. In 2021, Japara received \$299.9 million in federal residential aged care funding. Japara employed more than 5,600 workers and was listed on the ASX until it was acquired in November 2021 by Calvary.

Little Company of Mary Health Care Ltd, a large non-profit Catholic healthcare operator, better known as Calvary, confirmed its acquisition of Japara in October 2021, when an offer of \$1.40 per share, a total of \$380 million was accepted.41 Until this acquisition, Calvary was predominately an operator of public and private hospitals. It had one subsidiary which operated 15 residential care facilities with 1,237 places, mostly in New South Wales, but with 3 facilities in South Australia and one in the Australian Capital Territory.⁴² Federal funding of \$85.9 million was received for these residential aged care facilities in FY21, not including other federal funding received for home care. As with for-profit investors, Calvary must believe that it can generate significant future revenues from expanding further into residential aged care. With the acquisition of Japara, Calvary expanded into new markets (Victoria, Queensland and Tasmania) and increased its footprint to 72 facilities around Australia.43

In FY21, Calvary's total operating revenue was over \$1.5 billion of which 41% (\$617 million) was from government grants and subsidies.⁴⁴ In addition to aged care facilities, Calvary operates four public hospitals which delivered \$521 million in revenues in 2021, and five private hospitals which delivered \$718 million, all in fees from patients.⁴⁵ Retirement communities delivered \$110 million and community care facilities delivered \$102 million.

Revenues that Calvary receives as payments for services from patients and residents are largely underwritten by publicly funded health care and aged care services. Calvary also received \$500 million in recurrent grants, \$87 million aged care subsidy, \$10 million in non-recurrent grants, \$9.8 million in public health service capital grants and \$18 million in resources received free of charge. Calvary's accounts also show financing costs in excess of \$23 million and over \$309 million in loans, mostly related to the construction of the Bruce private hospital.

Overall, Calvary reported a deficit of \$24 million for the year.⁴⁸

Despite the FY21 deficit, Calvary amassed a \$380 million bid to buy out Japara. Calvary appears to have done well from public funding of health and care services. The bid for Japara might have utilised the vast majority of the non-profit's \$257 million in cash and cash equivalents or could have been financed from other sources.⁴⁹ Calvary also reports a current loan facility of \$200 million with 'The Trustee of the Roman Catholic Archdiocese of Canberra and Goulburn' and that 'there has been no draw down of this facility' as of 30 June 2021.⁵⁰ Calvary also holds \$313 million in refundable resident loans from both residential aged care and independent living units in its retirement villages.⁵¹

While the specific source of funding for the Japara acquisition is unclear, it is clear that this non-profit has generated the capital – presumably through the provision of public services, heavily underwritten by the public purse – to make this investment. Now complete, the takeover means that the reporting requirements for the new entity, as a private non-profit, are far lower than they were for Japara as a public listed company. Transparency has been diminished.

So, the public appears to have financially supported this acquisition of aged care facilities, which will now be much less accountable to the public. **But who has benefitted from the acquisition?**

As an ASX-listed company, Japara's decision to accept the takeover offer by Calvary was made by its shareholders. Prior to the acquisition, the top 10 shareholders controlled 59% of the outstanding shares, including the former CEO, through at least two different investment vehicles, with over 8% of the stock. Most of the remaining shares were widely held by large numbers of small shareholders. Some of these top ten investors were investment managers, holding shares on behalf of clients. However, a few top shareholders stood apart because of other investments in the aged care sector.

At tenth on the list, with over 2% of the stock was Peter Arvanitis. Mr Arvanitis is the founder and former CEO of Estia, another ASX-listed aged care operator. His new aged care company, Heritage Care, owns and operates Epping Gardens, the site of one of the worst COVID-19 aged care outbreaks in Melbourne where 38 residents died.⁵² Pictures of his lavish mansion and Maserati were plastered across newspapers alongside reports of the deaths and terrible conditions revealed in the Heritage Care facilities. Mr Arvanitis, facing class action lawsuits for COVID-19 deaths, had reportedly listed his mansion and left the country.⁵³ Despite pleading guilty to 'rorting a government-funded scheme that assisted disabled people', since the founding of Estia in 2005 his various companies have received billions in Commonwealth funding for residential aged care.54 Mr Arvanitis sold his shares in Estia in 2016 for \$55 million.

Aurrum Holdings Pty. Ltd., a private competitor of Japara, held nearly 7.4% of Japara shares. Aurrum Holdings is 60% owned by former UBS Banker and 'smooth operator' David Di Pilla.⁵⁶ Aurrum Aged Care operates 9 residential aged care facilities, 4 in Victoria and 5 in New South Wales.⁵⁷ Aurrum is also developing 6 new childcare centres 'in conjunction with leading Australian ASX listed property group HomeCo.'58 In July 2020, according to the Australian Financial Review, Mr Di Pilla - as executive chairman of HomeCo convinced the company 'to pay \$32.6 million to buy' an Aurrum Aged Care home which would be leased back to Aurrum. 'Or put another way, his salary will come partly from fees paid for the use of an asset he's the tenant of.'59

In FY21, 8 Aurrum aged care facilities with 877 places received \$61 million in Commonwealth funding for residential aged care. In May 2021 it was reported that 'Di Pilla and his band of investors' in Aurrum paid themselves \$10 million in dividends in the last financial year.⁶⁰ This led *The Australian* to comment that the 'rich and powerful backers of Aurrum Aged Care look to have found the silver lining in looking after our elderly amid the global coronavirus pandemic.'⁶¹ Despite the impact of COVID-19, which reduced occupancy and increased costs, the company generated revenue of \$92.1 million – of which 70% was from government subsidies – and reported \$14.8 million in operating profit.⁶²

On 1 June 2021, it was reported that David Di Pilla spent \$9 million on a Bellevue Hill mansion to expand the existing family estate alongside those of the Murdoch and Packer families.⁶³

Finally, the largest shareholder in Japara, with more than 13% of the stock was Moelis Australia Asset Management Ltd. Now known as MA Financial Group, this ASX-listed investment bank has \$6.9 billion in assets under management⁶⁴ and facilitates a borderless world for the megawealthy, having pioneered the 'investor visa' program.⁶⁵

In an 'after-market raid' Moelis purchased a 10% stake in Japara in October 2017 at \$2 per share for about \$53 million. 66 The stock price in 2017 was nearly double the share value in the proposed takeover bid by Calvary and far more than double prior to the stock soaring 26% on news of the proposed takeover. 67 The Japara acquisition was understood to be on behalf of a 'newly created fund, The Moelis Aged Care Fund', and followed the acquisition of a 70% stake a month earlier in another aged care company, Infinite Care. 68 Infinite Care currently operates 11 residential aged care facilities in Queensland and South Australia. 69

The \$45.4 million investment in Infinite Care through the Moelis Australian Aged Care Fund was intended 'to offer third party investors the opportunity to co-invest' and was 'targeting a total return to third-party co-investors of **20%+per annum** over a 4 year term'⁷⁰ (emphasis added). For comparison, the annualised returns of the ASX200, the 200 largest publicly traded companies in Australia, were 6.6% from 2010 to 2019 and only 4.5% from 2017 to 2019.⁷¹ These investment bankers foresee highly lucrative returns in aged care.

Andrew Pridham, Group Vice Chairman of the MA Financial Group, commented that the aged care fund would provide investors with 'the opportunity to invest in the Australian aged care sector and offer our investors exposure to an industry which we believe has very favourable fundamentals, driven by Australia's rapidly aging population and looming undersupply of aged care facilities.'72

These investors are doing very well for themselves. Mr Pridham – also the chairman of the AFL's Sydney Swans – has made several splashes into the prestige Sydney real estate market. In 1998, Mr Pridham purchased a \$25 million Mosman mansion and upset neighbours two years later with his \$8 million renovation plan to bulldoze the existing trophy property and build a new one. The Mosman mansion, originally priced at \$40 million, was one of many of Pridham's property investments. The primary family residences would remain the mansion in nearby Clifton Gardens and the waterfront home at Palm Beach.

Japara's record on quality of care

Japara has received a series of recent non-compliance notices from the Aged Care Quality and Safety Commission (ACQSC) in relation to facilities at Brighton-Le-Sands, Trevu, Noosa, Goonawarra, Wyong, Coffs Harbour and South West Rocks.⁷⁵ The most egregious of these related to a five-day audit of Japara's Noosa facility after a report of a fatality on 20 October 2020.⁷⁶

The regulator found:

- 'Staff did not treat consumers with dignity, respect and privacy. The assessment team observed a resident receiving hygiene care with their bedroom and bathroom doors open. Staff were also overheard speaking inappropriately about consumer care in a communal area.
- Assessments of risks such as pain, skin, malnutrition and falls were not individualised to each consumer, accurate or completed when required.
- Wound management, pain management, and psychotropic medication use were not offered in a safe way.
- Weight loss and nutritional intake were not monitored.'

Japara decided to close its Wyong facility after receiving a sanctions notice from the ACQSC in March 2020.⁷⁸

In the second half of 2020, COVID-19 outbreaks occurred in five Japara aged care facilities: Sunbury, Doncaster East, Brighton, Mount Waverley and Windsor. Japara received a Notice to Agree from the ACQSC relating to the COVID-19 outbreak at its Goonawarra home due to several risks observed by the ACQSC.

Japara at the Royal Commission

Incidences of substandard care in Japara's facilities provided some of the most egregious examples considered in the recent Royal Commission.

The shocking assaults and neglect of Mr Clarence Hausler in Japara's Mitcham facility in South Australia were used as evidence by the Commissioners of the existing system's failed safeguards.

Japara took control of the Mitcham aged care facility in August 2014.⁷⁹ The Commissioners found that Mr Hausler was subject to a number of 'degrading assaults' while in Japara's care.⁸⁰ Mr Hausler's daughter, Noleen Hausler, gave evidence that after Japara took over the facility, the quality of care her father received seemed to decline significantly. Key concerns related to staffing levels and qualifications, and cost-cutting that undermined provision of essential services.

Due to her suspicions about the quality of care, Ms Hausler installed a camera in her father's room. This quickly revealed evidence of serious physical abuse, some of which resulted in criminal charges.⁸² In just 10 days, the cameras captured three cases of physical abuse against her father.⁸³ These incidences recorded included head trauma, force feeding, eating the resident's food, unreasonable use of force in toileting, disrespectful and undignified treatment.⁸⁴

Ms Hausler complained of her concerns to Japara management on several occasions. The response was inadequate and did not follow mandatory reporting requirements.⁸⁵ Japara's senior management also accused Ms Hausler of 'stalking' and intimidation of staff.

CEO at the time, Mr Sudholz, described Ms Hausler as 'vexatious', and emailed a Japara staff member two weeks after Mr Hausler's death criticising Ms Hausler's persistent complaints. Sudholz claimed Ms Hausler's complaints were: 'about financial gain to her and the actions she has taken is for the purpose of putting us under pressure and forcing a settlement, which [we] will not do'.87

During the Royal Commission, Mr Sudholz apologised to Ms Hausler for his company's treatment of both her and her father.⁸⁸ Despite this, Mr Sudholz claimed that despite over 300 allegations of abuse between September 2015 and May 2019, including one at nearly each of the 49 facilities Japara operates, the abuse was not 'systemic'.⁸⁹ Mr Sudholz described the care at the Mitcham facility as 'good and strong'.⁹⁰

Mr Hausler's case was cited by Commissioners as evidence that existing accreditation and auditing systems are not adequate to capture substandard care. The Royal Commission report noted:

'[f]ar from overstating the extent of substandard care, accreditation data is likely to understate the extent of substandard care being provided... Mr Clarence Hausler was subject to a series of degrading assaults at Japara Mitcham in 2015. Japara Mitcham was audited in 2015 and 2016 and on both occasions was assessed as meeting 44 out of 44 expected outcomes.' 91

The Commissioners also observed that aged care providers do not demonstrate accountability when things go wrong. Specifically citing Japara and the case of Mr Hausler, Commissioners Tracey and Briggs described Japara as 'an organisation that was 'determined to avoid accountability for its actions'. ⁹²

Japara's example reflects systemic problems in the aged care sector, focused on financial returns and market imperatives, rather than quality of care. The Royal Commission found that restrictions on federal government funding to the sector and the assumption that aged care can be managed through markets have contributed to a range of structural problems that are detailed in its report. The Commissioners observed key drivers of Australia's failing aged care system including an absence of leadership, poor attention to market structure, ineffective regulation, insecure and insufficient funding, lack of transparency, undervaluing of the workforce and failure to provide a voice for people in care.⁹³

BOLTON CLARKE

Building an aged care empire in just five years

Bolton Clarke, after the recent \$700 million acquisition of Allity from private equity firm Archer Capital, is now Australia's largest non-profit aged care operator and the second largest overall.⁹⁴ Opal, half-owned by AMP Capital and GK Goh, a Singapore-listed investment management company is now Australia's largest aged care operator. With the addition of Allity, Bolton Clarke now employs over 10,000 staff across 70 residential aged care facilities, 36 retirement villages and provides services to 130,000 home care clients.⁹⁵

The purchase of Allity in December 2021 follows only a month behind the acquisition of Acacia Living Group (former RSL Care WA) in Western Australia and is on top off 'a \$700 million development pipeline of projects across Victoria, NSW and Queensland.'96 Archer Capital, Allity's previous owners, had used an aggressive tax avoidance scheme with an offshore shareholder loan at an interest rate of 15% that delivered significant returns to investors – including the Australian Government's Future Fund and many international pension funds – while eliminating taxable income and tax payments in Australia for years.⁹⁷

Archer's founder appears to have done well for himself from investments in Allity and other companies and has a penchant, not unlike other aged care executives, for harborside real estate. In 2020 he paid \$21 million for a penthouse at McMahons Point⁹⁸ and late last year threw down another \$7.75 million on a mansion in nearby Mosman overlooking Taylors Bay. He and his wife already owned the house next door, having paid \$3.9 million in 2005.⁹⁹



Apartment in the Bradfield at McMahons Pt, where Archer Capital founder Peter Biggs bought the penthouse for \$21 million



The Biggs' Mosman harborside mansion recently acquired for \$7.75 million

Bolton Clarke was created in 2017 following the 2016 merger of RSL Care in Queensland and the Royal District Nursing Service (RDNS) in Victoria. While Bolton Clarke maintains taxexempt charitable status it has extensive forprofit operations in Australia and other countries, including major aged care investments in China. Bolton Clarke states its principal activities as providing 'relief from poverty, distress, sickness, disability, destitution, suffering, misfortune and helplessness to people in need....'100 Prior to the recent acquisitions (FY ending June 2021), revenue from governments of \$356.7 million made up 69% of the group's total revenue and the group reported a loss of \$16.9 million.101

Earnings before interest, taxes, depreciation and amortisation, EBITDA, is frequently used as a key metric of business performance and is a focus of Bolton Clarke's reporting as well. In FY21, the Group recorded an Operating EBITDA of \$32.5 million. However non-operating COVID-19 subsidy income of \$11.6 million and non-operating COVID-19 expenses of \$6.8 million helped to increase total EBITDA to \$39.1 million.102 As a segment, the residential aged care business (not including COVID subsidies and expenses) reported an operating EBITDA of \$18.2 million on total operating revenue of \$230.2 million.¹⁰³ This represents an EBITDA margin of 8%, slightly below the home care margin of 9% and well below the retirement living margin of 26%. The for-profit business appeared to lose money with a loss of \$14.9 million in operating EBITDA.¹⁰⁴

There is very little reported on the for-profit business. This begs the question: Is income generated largely from publicly funded aged care services in Australia subsidising international for-profit investments? The for-profit subsidiaries are listed as Altura Learning Australia Pty Ltd (Australia), Altura Learning United Kingdom Limited (United Kingdom), Royal District Nursing Service New Zealand Limited (New Zealand) and Royal District Nursing Service (Hong Kong) Limited (Hong Kong).¹⁰⁵

Altura Learning provides educational content and the Hong Kong business provides consulting services. The 30% ownership in Shanghai Yango & RDNS Healthcare Management Co Ltd incorporated in China with a principal activity of aged care consulting is listed as an associate. The lack of reporting on these for-profit international businesses and how they fit into the charitable purpose of Bolton Clarke raises serious questions.

Under the joint venture agreement 'with real estate giant Yango Holdings, signed in Shanghai in September [2019], Bolton Clarke subsidiary RDNS Hong Kong will commission and manage 3,490 residential aged care beds in Shanghai by 2022.'107 The first projects were 'set to open in 2020.'108 A Queensland Government report on a trade and investment mission to China, when the joint venture agreement was signed, reported expected annual revenues of \$209 million.¹⁰⁹

The report also noted that Bolton Clarke has an emerging presence in China, Hong Kong and Singapore and that its 'subsidiary in Asia, RDNS HK, has to date undertaken the service planning, master planning and commissioning of nine projects in Beijing and Guangzhou.'110 There is no significant reporting of these international investments in Bolton Clarke's financial statements and the little reporting that there is indicates a loss.

How does a non-profit charitable organisation, which is 69% funded by government, and claims to operate at a loss come up with \$1.4 billion to acquire competitors, develop new properties and continue to expand its aged care business?

Inheriting a chequered history of care

Bolton Clarke is inheriting a chequered history from Allity, which has 12 notices from the aged care quality regulator since 2019. Some of these notices are still current, indicating that the provider has not remedied the problems observed. The noncompliance issues are broad relating to personal and clinical care, organisational governance, failure to respond to complaints, medication management, consumer dignity and choice.

In one particularly egregious case, it was reported that residents were being drugged without their consent. In several cases, Allity's accreditation as a provider was under threat and the operator was restricted from accepting new residents for a period of time.

In addition to Allity's failures, Bolton Clarke / RDNS has two notices of non-compliance in the last couple of years, both concerning the Rowes Bay property. On both notices, the provider was found to be failing residents in relation to providing personal and clinical care, and in relation to responding to feedback and complaints. The first notice (April 2020) also noted non-compliance regarding assessment and planning, human resources and organisational governance.¹¹³

SOUTHERN CROSS CARE (SA, NT & VIC)

Financing footloose investments across the globe

Southern Cross Care is the largest residential aged care operator in South Australia. In FY21, like Bolton Clarke, 69% of its income came from government grants. 114 Also like Bolton Clarke, Southern Cross Care has invested in aged care in China in a joint venture with two other South Australian non-profit aged care operators. 115

Southern Cross Care reported government grants of \$141.8 million, total revenue of \$204.6 million and total comprehensive income of \$43.6 million and total assets of nearly \$1.2 billion. Despite the scale of Southern Cross Care's operations it takes advantage of reduced disclosure requirements, and its annual financial statements provide limited information. The statements of the scale of the

As in previous annual financial statements in the FY21 report there is no specific mention of the investment in aged care in China. However, the limited disclosure suggests that the joint venture investment in China is no longer controlled by Southern Cross Care and its other non-profit partners.

Two of Southern Cross Care's directors 'were Directors of Australian Ageing & Wellness Services Pty Ltd ('AAWS'), the corporate trustee of the AAWS Elder Care Unit Trust ('AAWS Trust'). ... AAWS and the AAWS Trust are together a Joint Venture which the Association entered into with two other South Australian aged care providers.' One day before the end of the financial year, 'the joint venture parties agreed to terminate the AAWS Trust and apply for the winding up of the AAWS company.' One the same day, the 'AAWS Trust paid \$39,594.81 to the Association as the final distribution on the termination of the trust.' 119

In September 2018, after AAWS completed its first training course for aged care workers in China, the CEO stated that the company 'is very active in working in China to develop ageing well business activity with a focus on consultancy and providing aged care expertise. We have business proposals out which we are hoping to get traction on during our next visit to China in November.'120 It is not clear what became of the aged care joint venture in China.

In 2018 Southern Cross Care made an interest free loan of \$130,000 to AAWS, but in 2020 the board decided not to recover the bulk of the loan. The lack of details in the accounts make it impossible to determine if Australian federal funding for aged care actually subsidised for-profit aged care investments in China or the broader nature of financial flows between the non-profits and operations in China.

BLUE CARE / UNITING CARE QUEENSLAND

Raking in millions in jobkeeper payouts

Blue Care, part of Uniting Care Queensland (UCQ) and controlled by the Uniting Church in Australia Property Trust (Q), is the largest aged care operator in Queensland. In addition to aged care and other community services UCQ also runs private hospitals and had total gross income of over \$1.7 billion in FY21, including \$662.3 million in government grants, and held nearly \$2.3 billion in assets.¹²²

It also appears that UCQ, despite not facing a decline in revenue or having to lay off workers, may have been one of the largest beneficiaries of the federal government's JobKeeper programme. In July 2021, the *Courier Mail* reported that UCQ 'reaped \$74 million in taxpayer-funded JobKeeper payments – more than casino operator Star Entertainment – while paying executive bonuses and posting a multimillion-dollar profit during the COVID-19 pandemic.'123

The 'whopping \$74 million in JobKeeper in the 2019-20 financial year' put UCQ among Queensland's largest recipients and 'helped Uniting Care post a \$29.6 million surplus'. 124

Even more troubling, UCQ's latest financial statements reveal that the JobKeeper subsidy grew by more than ten million to \$84.8 million in the following year (FY21), bringing the total JobKeeper take to a truly whopping \$159.3 million. In FY21, this helped to push total revenue up to nearly \$1.8 billion and increase total comprehensive income to \$68.5 million from \$28.9 million in the previous year. Continued JobKeeper payments may have also helped increase total compensation for key management personnel to \$7.3 million from \$5.7 million in the previous year.

The single largest source of revenue was \$696.7 million for aged care and community services, followed by \$530.2 million from hospital patient services, both significantly up from the previous year. The JobKeeper payment of \$84.8 million was the second largest payment from the federal government following the \$393.7 million from the Department of Health, presumably for aged care services. Despite the scale of operations, UCQ does not report separately on each business segment.

In addition to the federal funding there was also \$90.2 million in funding from various Queensland state government departments. Further government subsidies came in the form of 51 below market leases, nearly one fifth of all leases, with local, state and territory governments, including '5 leases of land under deed of grant in trust on which the Group operates aged care facilities." The value of these leases is not reported, but the lease payments appear negligible.

There are a large number of payments, from UCQ's heavily subsidised operations to the Queensland Synod of the Uniting Church itself, including \$3 million in 2021 and \$2.3 million in 2020 for 'Redress and sensitive matters contribution', or \$5.3 million over the two years.¹³²

The note on contingent liabilities state that the Group is now a member of the National Redress Scheme [in response to the Royal Commission] into the Institutional Response to Child Sexual Abuse]. 'The financial responsibility for meeting costs associated with redress and civil litigation will be borne collectively by the Uniting Church in Australia, with UnitingCare Queensland being a responsible body contributing to the recovery of costs. The nature and extent of any claims in any period are not predictable and therefore any amounts levied may vary from year to year.'133 There appears to be no restriction on using federal aged care funding, or other public funds, to reach settlements with victims of child sexual abuse within the Uniting Church in Australia.

Including the \$3m redress scheme payment, in FY21 UCQ paid over \$26.3 million to the Queensland Synod of the Uniting Church for various fees and services, including insurance premiums, a 'Stewardship fee' and 'Chaplaincy services'. Over \$26 million was paid from the heavily publicly subsidised aged and health care service provider to the church itself, not including the \$292.6 million in cash on deposit held by the Uniting Church Investment Services. There is a disturbing lack of transparency in the financial flows between this heavily government subsidised non-profit and the church entities which control it.

Putting profit before people during the pandemic

Blue Care has recently come under fire for offering staff incentives to come to work while sick during the COVID-19 pandemic. Despite the horrors taking place around the country in aged care facilities due to COVID-19 outbreaks, Blue Care offered staff \$1,200 as a bonus in return for not calling in sick for one year. This offer was made despite the risks of the Omicron variant, and the legal obligation for aged workers to stay away from work if symptomatic. The operator has since cancelled the scheme which it said was done 'mistakenly'. 136

Blue Care's Toowoomba facility is currently subject to a non-compliance notice from the regulator from December 2021. The ACQSC has found that Blue Care is failing to meet residents needs with respect to personal and clinical care, and in responding to feedback and complaints.

AEGIS AGED CARE GROUP

Secreting wealth in labyrinthine family trusts

The Aegis Aged Care Group consists of private companies controlled by the Cross and Taylor families. Aegis is one of the largest familyowned aged care providers in Australia and the largest provider in WA. It runs 27 residential aged care homes in and around Perth as well as two transition care facilities for people leaving hospital. Aegis does not own retirement villages or provide home care.

The Aegis Group's complex company structure appears designed to avoid ASIC requirements for proprietary companies to lodge financial statements (revenue > \$50 mill, 100+ employees). There is no publicly available information on the revenue or profits made by any of the companies in the group. This lack of transparency means that it is extremely difficult to understand the corporate structure and finances of Aegis.

Ownership of residential homes listed on the Aegis Group website is shared among Aegis Aged Care Group Pty Ltd, Lakeside Hostel Pty Ltd, Balmoral Aged Care Group Pty Ltd, Carrington Aged Care Facility Pty Ltd and Aegis Aged Care Shoalwater Pty Ltd. All these companies have two Directors, Michael Cross and Geoffrey Taylor. These companies are 80% owned by Australis Equity Pty Ltd, a company owned outright by Michael Cross. The remaining 20% shares of the companies are owned by Geoffrey Taylor or Culloden Investments Pty Ltd, a private company owned by the Taylor family. Culloden Investments also has interests in mining companies.

Culloden Investments Pty Ltd appears to be (or have been) a significant shareholder in several Western Australian based mining firms, including Antipa Minerals Ltd, Carnarvon Petroleum Ltd and Corazon Mining Limited.¹³⁷ This suggests that Culloden is a holding company for a broader set of family investments. Australis and Culloden may act as trustees for family trusts or there may be other layers of ownership. The Culloden shareholding in Antipa Minerals, suggested the holding was as custodian for 'Geoff Taylor Family'. The Australian Business Register lists a 'Geoff Taylor Family Trust' as a discretionary investment trust in Western Australia in the same postcode as Mr Taylor's residential address.¹³⁸

Documents submitted in 2018 for development permits to expand Aegis's aged care facility in Bassendean, reveal another company in the Aegis corporate structure. These documents state that T & T Management Services Pty Ltd (T&T), part of the Aegis Aged Care Group, is the landowner and that 'T&T own and operate the existing Bassendean Aged Care Facility'. The Department of Health data shows Aegis Aged Care Group Pty Ltd as the licensed provider for this facility. T&T has the same directors and ownership structure as StaffWest with Culloden owning 2 shares and Australis owning 8 shares. The same directors are staffwest with Culloden owning 2 shares and Australis owning 8 shares.

Aegis employs around 2,500 people across the facilities it operates. Staffwest is registered at the same address as Aegis Aged Care and is owned by Australis and Culloden. It appears to be an internal labour hire company.

Given the lack of public information, details about the revenue and profits of the Aegis group companies are very hard to find.

In FY21, government funding to Aegis Group residential facilities totalled more than \$185 million. The group appears to be in a strong financial position as it recently added a further two aged care homes to its operations, Shoreline in North Coogee with 238 places and Shorehaven in Alkimos with 134 places.

The Aegis Group currently has 2,982 residential care places. Under the federal government's announced \$10 per resident per day funding increase, Aegis Group will receive an additional \$10.9 million annually for its existing funded places.

TRICARE

Tales from a domestic tax haven

TriCare is a private owner and manager of aged care residences and retirement villages employing 1,700 staff, with 90 per cent working in residential care. The majority of TriCare's facilities are located in Queensland. With 1,565 funded residential aged care places, TriCare received more than \$106 million in federal funding in FY21.

TriCare has a complex group structure with some companies having an address in the Brisbane suburb of Mt Gravatt. However, the ultimate controlling entity of the TriCare companies, TriCare Group Pty Ltd, was registered in the former tax haven of Norfolk Island.¹⁴²

Businesses domiciled on Norfolk Island were not subject to Australian tax law prior to 2016, making the island a tax haven. After self-government was abolished and the island came under Australian law, some tax advantages for businesses were retained, such as exemption from capital gains tax on assets registered as owned in the territory prior to 2015.¹⁴³

TriCare manages its affairs through dozens of companies bearing its name. Appearing before the Senate Select Committee on Job Security in July 2021, company CEO Kerin McMahon confirmed TriCare Group Pty Ltd, the ultimate holding company for all Tricare operations is registered on Norfolk Island. Many of the companies in the TriCare structure do not file financial reports with ASIC, which has made it difficult to establish how much money the group makes and what tax it pays in Australia.

The Department of Health and Ageing first exposed the fact that TriCare was registered in Norfolk Island during a Senate Inquiry into Residential and Community Aged Care in 2009. When Department of Health and Ageing health officers were asked why the financial headquarters would be on Norfolk Island, the response was: "You could imagine a structure in which the domestically taxpaying entities make a loss and the foreign based body makes substantial profits because of the fees paid to it by the domestic entity. Under those circumstances, headquarters can make a decent living and less tax can be paid." 146

It was necessary to clarify that no accusation was being made about any specific provider, but the Department was aware of other similar structures in the industry using foreign entities that provided similar advantages. Officers stated that it "is not the only example, but it is the only example we are aware of on Norfolk Island, and I say 'aware' because we have limited information."¹⁴⁷

The problem of 'limited information' is an ongoing concern.

The Australian parliament passed legislation in 2015 to abolish self-government and introduce Australian income taxation, though some tax exemptions and benefits remain.¹⁴⁸

Following recent scrutiny, TriCare appears to have restructured its affairs. TriCare Limited's 2020 financial statements present it as the parent entity for most of TriCare's other businesses and describe its principal activities as 'group administration and maintenance services'. However, TriCare Group Pty Ltd is still described as the head of the tax consolidated group. 149 Note that TriCare Group Pty Ltd has changed its name to Verthun Pty Ltd as of December 2021 and its current relationship to the corporate structure is unknown. Is this a response to recent public scrutiny?

The most recent financial report for TriCare Limited revealed a 443% increase in revenue, from \$26 million in 2019 to \$144 million in 2020. This suggests the finances of some or all of the aged care operations registered as separate companies that did not previously file with ASIC, are now reported under this company name. There were also substantial increases in financing costs, amortisation costs, total assets and liabilities, all of which support the thesis that TriCare has restructured its business to report more of its aged care activity under TriCare Limited.

TriCare Limited's 2020 financial statements show that the \$144 million in total revenue comprised \$105 million in government funding and subsidies, and resulted in a profit before tax of \$7.5 million. Though tax was reported at \$2 million, the cash flow statement shows the company only paid \$381,065.

Taxable income was reduced by finance costs of over \$15 million (including almost \$5 million in interest payments), as well as administration, occupancy and other expenses amounting to around \$20 million. 151 Notably, finance costs increased from \$2 million in 2019, an increase of 650%. Amortisation of intangible assets was \$0 in 2019, but over \$3 million in 2020, while other depreciation and amortisation expenses increased from \$337,000 to more than \$6 million. Total assets for TriCare jumped from \$142 million in 2019 to over \$603 million in 2020 (growth of 323%). Total liabilities grew from \$38 million to \$464 million (growth of more than 1,095%), while net assets grew from \$103 million to \$139 million. Liabilities include \$162 million in related party debts, and \$197 million in refundable accommodation deposits, also held by a related party. 152

The accounts also show extensive related party lending, with TriCare Limited receiving over \$13 million from other group companies, while also paying out around \$20 million to other related parties and individuals (shareholders / directors) on debts. The accounts also show \$18.8 million in non-current borrowings from related parties, and \$26 million outstanding in borrowings from director related entities. TriCare Limited has \$143 million in non-current unsecured liabilities to related parties in the form of at-call interest free loans, as well as \$8 million in liabilities to director related entities. TriCare also reports loans from related parties worth over \$11 million, on which interest rates are 7%. The security is an account of the security of the security is a security of the secu

The large amounts of debt and equity circulating within the TriCare Group suggest that the group is organised to artificially minimise tax payments.

TriCare is owned by the O'Shea family, whose collective wealth in 2014 was estimated to be \$342 million. The family are enthusiastic backers of the LNP, making \$80,000 in donations in recent years. Other O'Shea family businesses are also closely connected to aged care, including those that provide food services to other aged care facilities, state hospitals, retirement villages, Meals on Wheels and other customers. The family also had a 13.4% interest in Aveo Healthcare Limited, a subsidiary of the ASX-listed retirement living company Aveo, which was acquired by Brookfield Asset Management Inc in 2019. 158

Gaming the system: TriCare staff report cosy relationship between regulator and regulated

TriCare's Toowoomba facility was subject to an inspection in late 2020 by the ACQSC following complaints by a resident, Kylie Kilroy. Staff confirmed in media reports that the concerns raised by Kilroy were '100% correct', including lack of showers, sheets not being changed for weeks at a time, residents' calls for help going unanswered and residents being seriously injured due to systemic neglect.¹⁵⁹

Staff raised concerns though that the company was given the opportunity to game the regulatory system, with a tip off about the upcoming inspection: 'The facility had been cleaned and polished, fruit in fruit bowls etc, and staff had been prepped in a meeting with instructions that they were to "look happy".'¹⁶⁰ The implication is that the aged care operators have the opportunity to temporarily address appearances without resolving underlying problems.

Nurse Amanda Gorton, who worked at TriCare Toowoomba from 2018 to 2020, confirmed that resident complaints regarding understaffing and poor quality of food were ignored. As the COVID-19 pandemic emerged, Ms Gorton said that there was insufficient PPE. The ACSQC also investigated the site and found its infection control program ineffective.¹⁶¹

Despite opportunities to game the system, TriCare has been issued with three non-compliance notices by ACSQC, all of which are now archived. These related to TriCare Annerley aged care residence (2020), TriCare Annerly Nursing Centre (2013) and TriCare Toowoomba (2020). The TriCare Annerley notice in 2020 related to failures to comply with requirements for 'Ongoing assessment and planning with consumers', 'Personal care and clinical care', 'Organisation's service environment' and 'Human Resources'. The 2013 notice related to a failure to appoint properly qualified nursing staff. The 2020 Toowoomba notice related to failures to meet requirements regarding 'Personal care and clinical care'.¹⁶²

CONCLUSIONS AND RECOMMENDATIONS

The Australian aged care sector is in crisis and the situation has continued to deteriorate with little, if any, effective action from the government. Many large and growing aged care operators get hundreds of millions of dollars in annual federal funding but are not accountable for how taxpayer money is spent. As the examples in this report - and many others - make clear, this is not a question of a few bad actors but a systemic problem requiring structural solutions to increase transparency and accountability. While broader reforms are needed to improve the quality of care in residential aged care, there are several simple common-sense measures that must be enacted as soon as possible. CICTAR has the following recommendations:

- ⇒ Core federal funding for aged care should be quarantined for direct care costs, primarily staffing and wages, to ensure improvements in the quality of care and prevent excessive profit taking and shifting of money to expand operations rather than provide care.
- As a basic principle, any entity that receives significant government funding to provide public services must be held publicly accountable and be transparent in how that funding is spent. The current ability to use aged care funding for purposes other than providing care, including dividends, property purchases and overseas investments is unacceptable.
- ⇒ To ensure all core aged care funding is spent on care will require standardised public information and reporting for recipients of federal funding and a regulator willing to enforce both quality and reporting standards and issue meaningful sanctions for a failure to report or a misuse of public funds, as needed.

- Aged care operators with over \$10 million in annual federal funding must be required to file full and complete Tier 1 financial reports, with no recourse to reduced disclosure requirements or special purpose filings. These financial reports must include complete business segment breakdowns so that residential aged care is reported separately. These reporting standards must apply across the board for for-profit and not-for-profit operators and be reviewed for compliance by ASIC, ACNC or another appropriate federal agency.
- Aged care operators with less than \$10 million in annual federal funding must be required to file Tier 2 financial reports, if they do not already. Many smaller aged care operators, or separate components of larger groups, are not required to file financial statements and limited public information is available.
- Additional targeted federal funding and support should be provided to small community-based providers with a consistent track record of high-quality care. It is particularly important to make sure the residential aged care operators in remote and regional areas can continue to offer services. It is worth noting the exceptional performance during all waves of the COVID pandemic of the state-run aged care facilities in Victoria, where providing high quality care is the priority and where staff to resident ratios are mandated.

- ⇒ A key solution, and one that is essential for consumers to have the necessary information to make informed choices, is to require public disclosure of staffing levels, per skill level and per resident, for every residential aged care facility through a centralised federal government run website. Providers should compete based on high levels of staffing and care reported in a clear, consistent and transparent manner. The current government website, www.myagedcare.gov.au, lacks this essential information. The US government's five star rating site for nursing homes, which provides this level of information, was a focal point of recommendations of the Royal Commission to improve the quality of care.
- ⇒ While public disclosure is needed it is not sufficient. Minimum staffing levels must be mandated, that are at least as strong as recommended by the Royal Commission. The government has not agreed to the staffing levels and timelines as proposed by the Royal Commission.

The crisis in residential aged care has eroded the public confidence in the ability of existing operators to deliver high standards for elderly residents who deserve to be treated with dignity and respect. Low pay and intolerable working conditions continue to exacerbate existing workforce issues. Mandated transparency and accountability on government funding is the first step to improving care and restoring public confidence.

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This report, previous aged care reports, and more information about CICTAR can be found on the organisation's website.

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