

Support at Home Workshop Series

Workshop 2: Approaches to Business Cost-
Out

Reliance Restricted

9 October 2025



EY

Shape the future
with confidence

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EY acknowledges that the land is alive, sacred, and intrinsically linked to Aboriginal and Torres Strait Islander spirituality, culture, language, family, lore, and identity and that Aboriginal and Torres Strait Islanders see Country as a person; they speak to Country, sing to Country, visit Country, worry for Country, and long for Country.

EY will continue to treat the land respectfully and work collaboratively with all Aboriginal and Torres Strait Islanders.



Artist: Jasmine Miikika Craciun is a multi-media artist and graphic designer residing on Gadigal land.

Jasmine's art-making process is informed by her diverse familial background (Barkindji, Malyangapa, Romanian, Austrian) with the goal of celebrating the strength of those who came before her.

Agenda

1

Welcome and purpose

2

Identifying and understanding costs

3

Cost out processes and initiatives

4

Session close

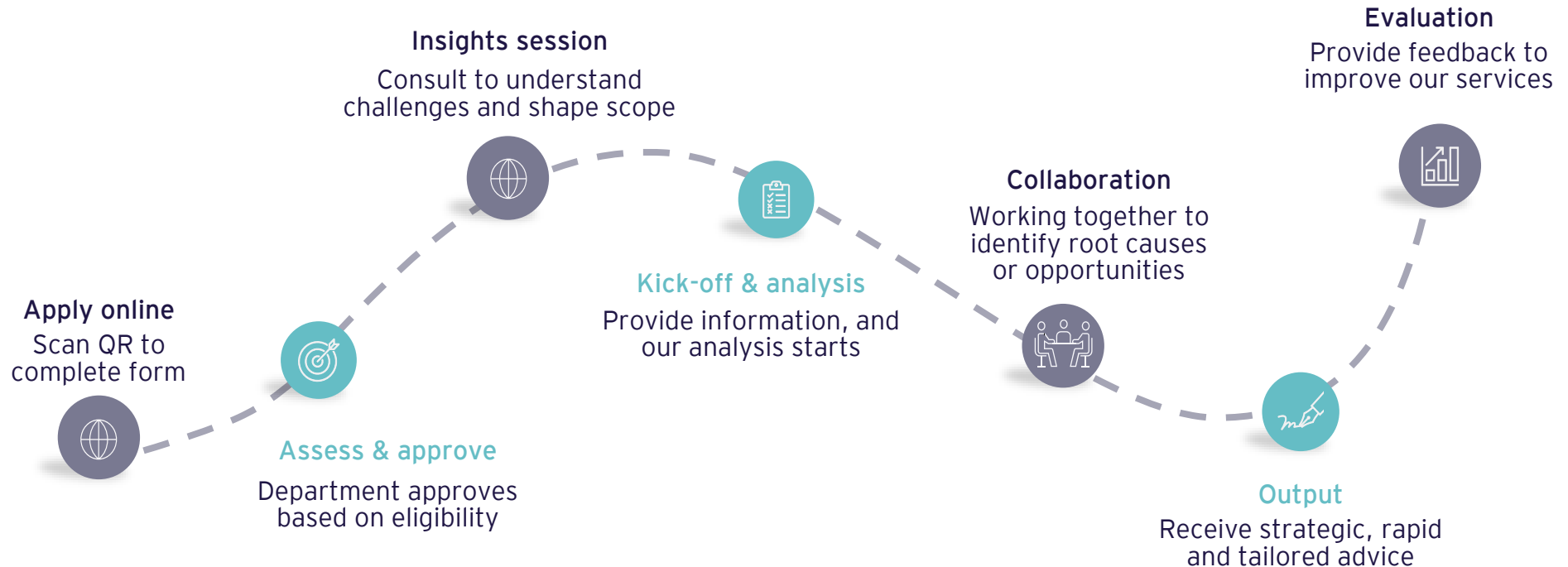
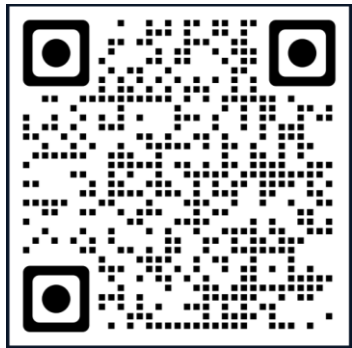


What is the Aged Care Business and Workforce Advisory Services program?

Delivered by EY on behalf of the Department of Health, Disability and Ageing, these services are **open to approved residential aged care and in-home care providers**, and provide **free, independent and confidential advice** in relation to specific **business and workforce matters**.

Seek strategic, rapid and tailored advice focused on **viability**, and **profitability resourcing** challenges and opportunities.

Scan the QR code to apply



A young woman with long dark hair, wearing a bright yellow blazer over a white top and blue jeans, is walking on a city street. She has her arms around an elderly man, supporting him. The man is wearing a grey sweater, a blue shirt, a patterned scarf, a flat cap, and glasses. He is holding a black cane. The background is a blurred city street with trees and buildings.

01

Welcome and purpose

Welcome and introductions



Melinda Leth

Director,
EYP

Melinda is a senior strategist with over 20 years' experience designing and implementing major government reforms, particularly in aged care and disability.

Mel also advises organisations on how to transition to major reforms, improve productivity and develop growth strategies for a more sustainable sector.



Cassandra Gandolfo

Director,
People Consulting EY

Cass leads the Aged Care Business and Workforce Advisory Service for the Department of Health, Disability and Ageing. She works directly with care providers on performance improvement and operational efficiency.

With experience across aged care, disability, veterans' services, and early childhood education, Cass has experience supporting providers to become reform-ready across the care economy.

Diversity of the aged care sector

**The needs and preferences of older Australians are diverse.
So too is the market of providers who address those needs.**

Providers operate across different geographies, scales and service types - from small, community-based organisations to large national networks.

Each provider brings unique perspectives, capabilities and experiences.

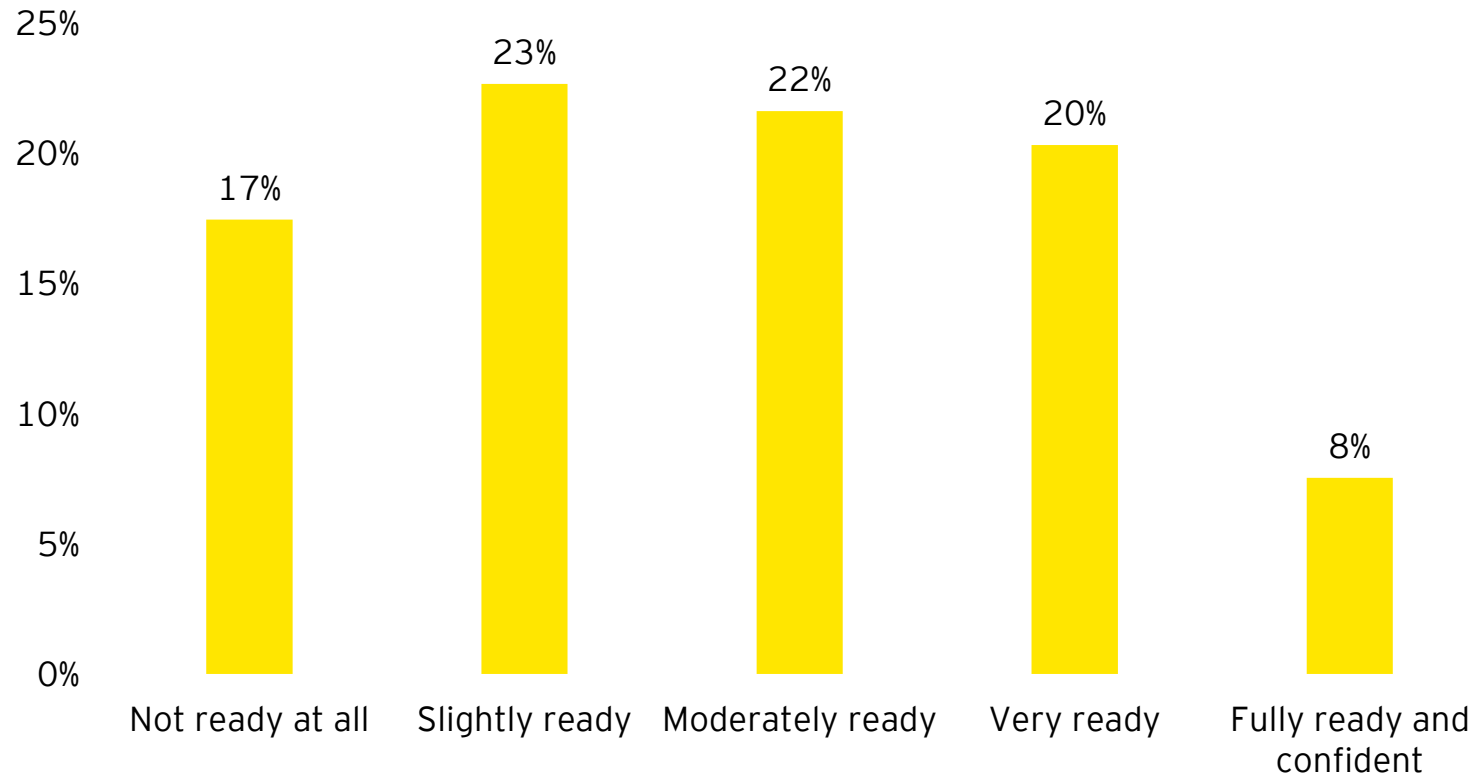
As a result, it is important to acknowledge that:

- Providers are at different stages of readiness, understanding, and progress towards implementing reforms
- A provider's capacity to adapt varies based on many factors such as size and resources
- A one-size-fits-all approach is not effective

Diversity is a strength. Our sessions aim to provide tips and resources you can use to implement changes, but further support is available through the Aged Care Advisory program.

Readiness to Implement Support at Home changes

Survey response to readiness for SaH



Key themes relating to costs

Managing costs	Workforce costs
Governance*	Non-client facing costs
Admin costs	Cost recovery*
Cost control	Cost efficiency
Workforce monitoring*	Cost structures
Setting costs and prices*	Travel costs*

Note, today's session will focus on the dark grey boxes. The light grey (*) denotes key areas highlighted in the survey, that are outside the scope of today's workshop

Source: Support at Home workshop registration survey

Purpose of today's session

Session Purpose

To identify assess and implement practical cost-reduction and productivity improvements under the Support at Home program, while maintaining quality and compliance.

Objectives

Identify and understand your cost base

- Understand the key cost drivers and where efficiencies typically occur.
- Outline indicative benchmarks for key costs to measure performance.

Cost out initiatives and processes

- Outline the importance of cost-reduction initiatives.
- Understand the cost-out process.

Examples of cost-out initiatives

- Provide three practical examples of cost-reduction initiatives: frontline staff, rostering and back-office

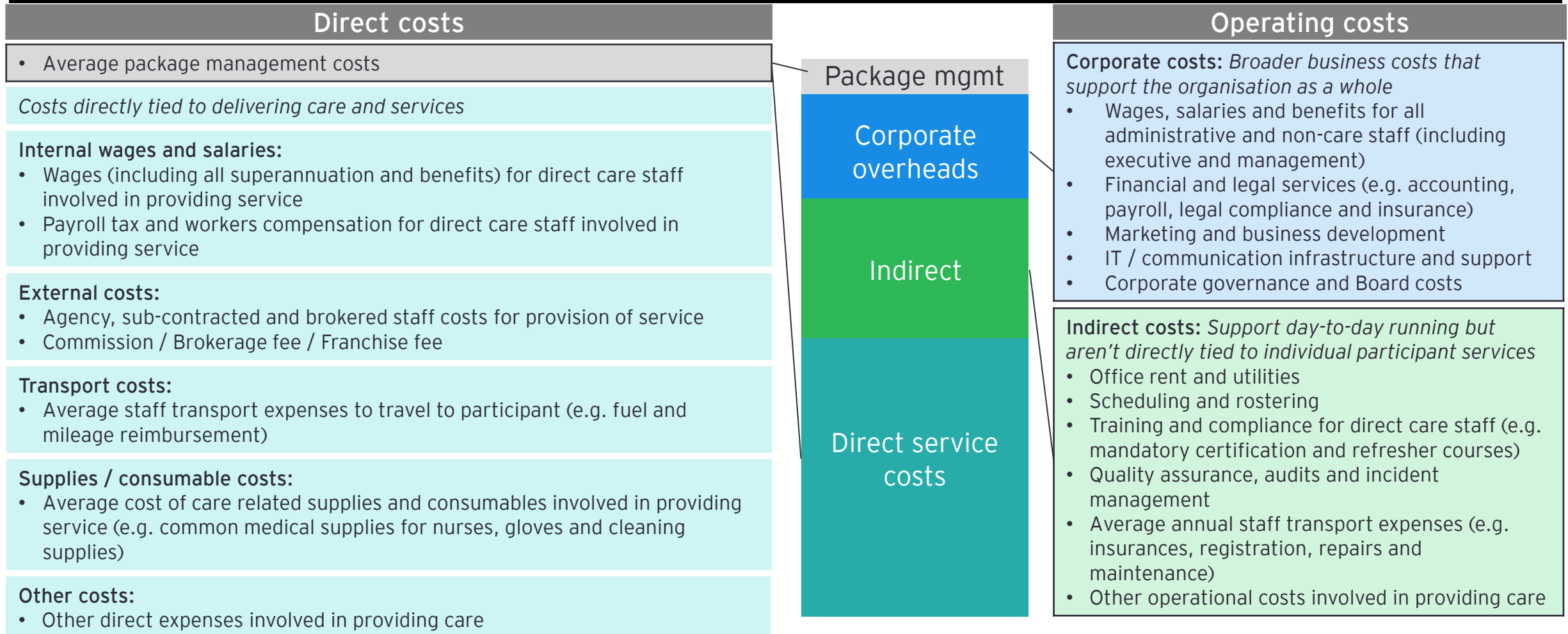
02

Understand your cost base – quick recap



How the cost for a service is calculated

Example cost stack for a unit of care (with example cost items)



Note: The cost categories shown are examples of costs that providers may incur. It is not intended to show all of the costs incurred by providers, nor will every provider incur all costs shown.

Measuring Costs

Accurately reporting costs is integral to understanding your cost base and determining areas to target for cost reduction. Whilst every organisation is different, the benchmarking below provides initial guidance on where costs may be considered high and require further investigation.

Value Driver		Cost Breakdown	Measuring	Benchmarks
Gross Margin	Direct Costs	Cost of direct care staff	<ul style="list-style-type: none"> Direct cost = No. of employees x hourly rate; No of new direct care staff x cost of onboarding Cost % = Direct cost / Total revenue; Cost per hour of care Turnover = % change in employees 	<p>Gross margins: >30%</p> <p>EBITDA margins: 5%-10%</p> <p>Utilisation: >85%</p> <p>Staff turnover: 20%-25%</p> <p>Labour costs % of revenue: 65%-75%</p> <p>Agency costs % of labour costs: <10%</p> <p>Corporate costs % of revenue: 5%-15%</p>
		Mix of staff	<ul style="list-style-type: none"> Leverage = % of Nurses, PCWs, Allied Health Staff Permanent staff ratio = Permanent to casual ratio Tenure = Average duration of employees 	
		Productivity of staff	<ul style="list-style-type: none"> Utilisation %: No. of hours billed / No of hours worked 	
Operational Expenses	Indirect Costs	Non-care staff costs	<ul style="list-style-type: none"> Cost %: Operational overhead costs as % of total revenue Leverage: No. of indirect staff to direct service staff 	
		Number of assets		
	Corporate Costs	Corporate Overhead costs	<ul style="list-style-type: none"> Cost %: Corporate overhead costs as % of total revenue Leverage: No. of corporate staff to direct service staff 	
Number of assets				

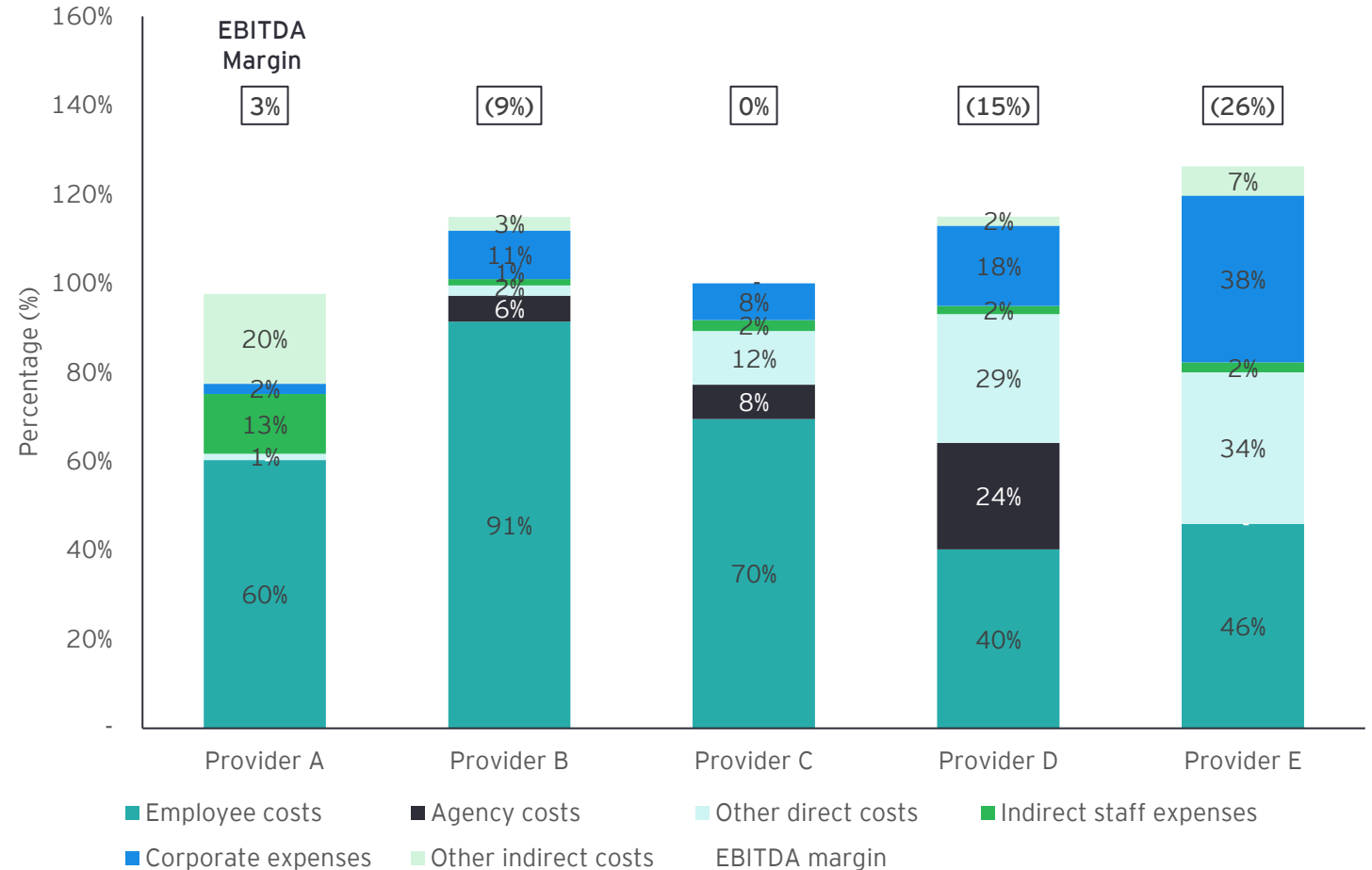
Benchmarking your cost base

Total costs as a percentage of revenue provides a benchmark across providers regardless of size (see chart below).

Potential Benchmarks to Consider

1. Gross margins: >30%
2. EBITDA margins: 5%-10%
3. Frontline Utilisation: >85%
4. Staff turnover: 20%-25%
5. Labour costs % of revenue: 65%- 75%
6. Agency costs % of labour costs: <10%
7. Corporate costs % of revenue: 5%-15%

Cost Base % of Revenue



03

How to identify opportunities to reduce costs

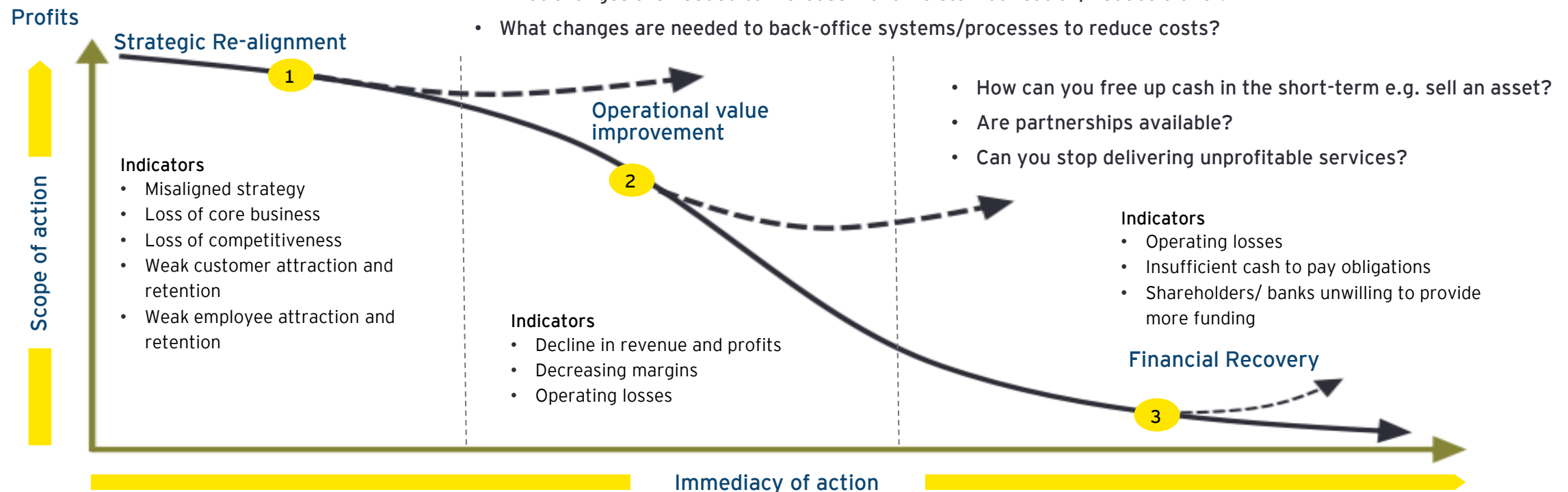


Where are you currently on journey of cost reduction?

Each provider will be at different stages on the cost reduction journey and the need to take action.

- Do you need to re-align your strategy to changing external conditions such as SaH reforms?
- Are you clear on your value proposition/ differentiation in the market?
- Do you have a clear strategy to attract and retain new clients and employees?

- What changes are needed to service delivery model to reduce risks/ improve quality?
- What changes are needed to increase frontline staff utilisation/ reduce travel?
- What changes are needed to back-office systems/processes to reduce costs?



Costs and Sustainability

EBITDA, a key performance indicator

EBITDA stands for Earnings Before Interest, Taxes, Depreciation, and Amortisation, serves as a key indicator of a provider's operational performance and offers the best way to compare the performance of different providers.

Sufficient earnings and free cash flow enables your business to...

Pay obligations

- Pay suppliers, employees, landlords, insurance, taxation, financiers (P&I), compliance costs with limited stress.

Invest in people

- Training, learning and development, career pathways and opportunities helping to retain staff



Invest in IT systems

- New or upgrade existing IT and Digital systems to reduce manual work, improve data and insights and reduce costs

Invest in assets and infrastructure

- Capital expenditure, both refurbishment and upgrade such as fleet, offices, clinics or residential aged care

...achieve Profitability / Return on Investment

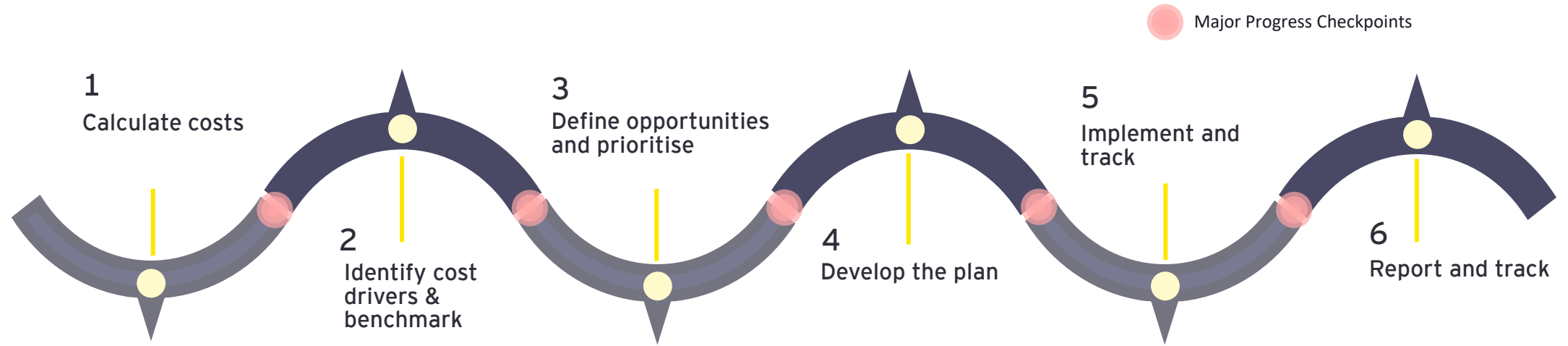
A financially sustainable EBITDA margin is ~5% to ~10%, which ensures enough free cash to invest in people, technology and assets.

**Revenue less Direct and Indirect
Costs = Earnings**

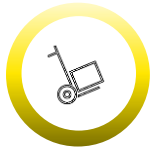
Cost structure drives viability. If direct and indirect costs are too high relative to revenue, the organisation becomes vulnerable to pricing pressure or demand fluctuations.

Margins protect resilience. Adequate EBITDA margins allow for reinvestment and buffer against shocks.

Key steps to reduce costs in your organisation



Key focuses



1. Understand costs

- Identify all direct, indirect and corporate costs
- Calculate costs per service type
- Calculate costs per client



2. Determine cost drivers

- Compare costs against sector benchmarks
- Identify costs that exceed benchmarks
- Identify potential causes of higher costs



3. Define opportunities & prioritise

- Identify quick wins (low cost/ high impact)
- Identify resources, time and cost to implement
- Prioritise initiatives
- Business case



4. Build the plan

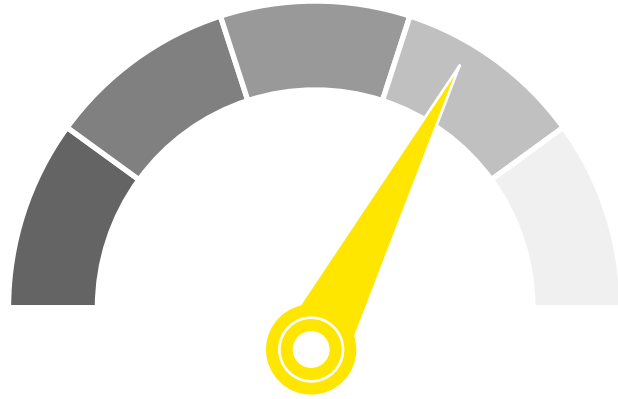
- Workstreams
- Activities
- Timeline
- Risks
- Resources
- Governance
- Costs



5. Test, scale and embed

- Dedicated team to implement
- Track and report progress to Executive and Board regularly
- Flag when off-track early
- Adjust approach where necessary

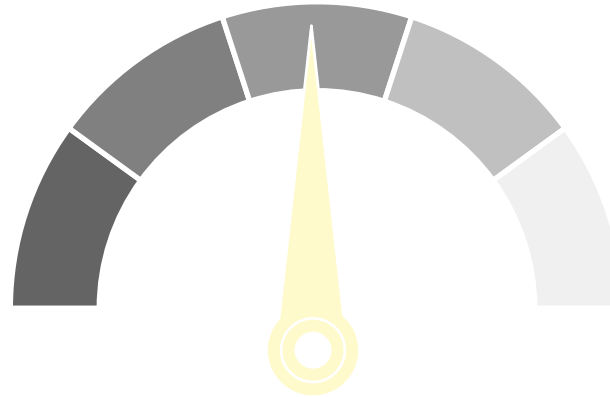
Three case examples - Community Care Victoria (FICTIONAL)



High Direct Costs

How to reduce costs and improve productivity of front-line staff while maintaining quality i.e. how frontline staff spend their time

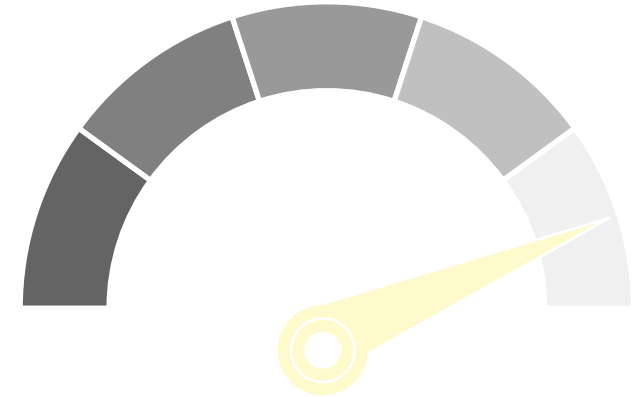
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High Indirect Costs

How to reduce costs associated with rostering frontline staff i.e. how frontline staff are managed and allocated

2



High Corporate Costs

How to back-off costs such as finance, HR, admin and reporting i.e. cost to manage the business

3

Case study: Community Care Victoria (Fictional) Overview

Overview

Medium size not-for-profit Support at Home provider operating in metro Melbourne and regional Victoria.

In-house services:

- Personal care
- Domestic assistance
- Allied health and therapy

Sub-contracted services:

- Gardening and lawn maintenance
- Home maintenance and minor modifications
- Meal delivery and preparation support.

Operating footprint

- Annual revenue ~\$12m
- Operates in **five metro LGAs** and **four regional hubs** (Geelong, Ballarat, Bendigo, and the Latrobe Valley).
- Employs ~**360 staff**
- Approx. **842 active clients**.
- Services coordinated from a **central Melbourne office**.
- Uses a **blended workforce** of permanent part-time and casual care workers.

Challenges

- Rising workforce costs, high agency costs and high turnover
- Difficulty attracting new clients
- High back-office and indirect costs from outdated systems
- Declining revenues.

Strategic priorities

- Double revenue in 5 yrs
- Improve profitability (from 3% to 6% EBITDA margin)
- Reduce workforce turnover and hiring costs.

Case study: Community Care Victoria (Fictional) - High direct workforce costs



Stakeholder

Clients

- Visits rushed or cut short due to travel delays.
- High turnover of care workers affecting quality and trust.
- Uneven quality between metro and regional teams.



Current State - Pain Points

- Long unpaid travel and idle time between clients.
- Split shifts with unstable income.
- Repetitive low-value admin and paper notes.
- Limited training and career pathways.



Future State - Desired Outcomes

- Time for quality care.
- Personal connection with worker.
- Reliable service across locations.
- Clustered clients to reduce travel.
- Longer, better-planned shifts.
- Simple digital tools for notes and reporting.
- Real-time insight into hours worked vs billed.
- Clear KPIs for utilisation and quality.
- Ability to forecast workforce needs and redeploy staff.

Care Workers

Team Leaders / Supervisors

Step 1 - Identify cost base

Objective Build a clear picture of where labour costs are being absorbed and why.

Actions:

1. Extract **labour cost data** (total wages, penalties, travel, overtime, agency) for the last 6-12 months.
2. Calculate:
 - **Labour cost as % of revenue** (target 65-75%)
 - **Average utilisation rate** (billed hours ÷ paid hours; target ≥85%)
 - **Travel time as % of paid time**
 - **Casual vs permanent staff mix**
3. Conduct a **“time-in-day” analysis** of a typical support worker (billable, travel, admin, idle).
4. Identify **patterns** – high travel zones, frequent short shifts, excessive cancellations.

Community Care Victoria:

- Data showed travel time averaging 28% of paid hours and utilisation at 70%. Labour costs = 77% of revenue.

Step 2 - Identify root causes/ cost drivers

Objective Pinpoint operational and structural factors increasing cost per care hour.

Typical Issues:

1. **Fragmented rosters:** Multiple short visits per day to the same suburb.
2. **Under-utilised workforce:** Gaps between shifts or mismatched skills to tasks.
3. **Over-reliance on casuals and agency staff.**
4. **Travel inefficiency:** Long distances between clients due to poor zoning.
5. **Excessive non-billable time:** Manual note-taking, reporting, or double entry.

Tools

- Rostering heatmaps showing “dead time.”
- Workforce cost driver tree (labour → utilisation → travel → scheduling).
- Team leader workshops: “What wastes the most time in your day?”

Community Care Victoria:

- High travel between metro and peri-urban clients due to decentralised rostering and lack of zoning.

Step 3 - Identify opportunities and prioritise

Objective

Develop realistic initiatives to improve utilisation and productivity while maintaining quality.

Opportunity	Example Initiative	Expected Impact
1 Roster optimisation	<ul style="list-style-type: none"> Geo-zoning and cluster rostering by postcode 	<ul style="list-style-type: none"> Reduce travel time by 15-25%
2 Multi-skilling	<ul style="list-style-type: none"> Train support workers to deliver multiple service types 	<ul style="list-style-type: none"> Increase utilisation and client continuity
3 Shift pattern redesign	<ul style="list-style-type: none"> Consolidate short shifts into blocks 	<ul style="list-style-type: none"> Fewer travel legs, higher morale
4 Self-rostering / shift bidding	<ul style="list-style-type: none"> Allow staff to pick shifts digitally 	<ul style="list-style-type: none"> Fewer unfilled shifts, reduced overtime
5 Digital documentation	<ul style="list-style-type: none"> Use mobile apps for case notes and timesheets 	<ul style="list-style-type: none"> Reduce non-billable admin time
6 Local float roles	<ul style="list-style-type: none"> Create "floating" workers to cover unplanned absences 	<ul style="list-style-type: none"> Reduce reliance on agency staff

Community Care Victoria:

- Piloted cluster rostering in one area; introduced workforce app to take care management notes in the field/ complete training.

Step 4 - Test, scale and embed

Objective Test in one area before scaling across all geographies.

Actions:

Test

- Choose one area (e.g. Geelong).
- Set clear baselines: utilisation, travel, overtime, cancellations.
- Measure weekly and gather staff feedback.
- Celebrate quick wins publicly to build buy-in.
- Example metric: 10% utilisation improvement within 2 months.

Scale

- Extend to other hubs once results are stable.
- Standardise rostering policies and templates.
- Align team leader KPIs with utilisation and travel efficiency.
- Offer refresher training on digital tools and cross-skilling.

Embed

- Integrate utilisation dashboards into monthly reporting.
- Recognise high-performing teams (e.g. "efficiency champions").
- Reinvest savings into workforce wellbeing and technology.

Community Care Victoria:

- Pilot improved utilisation to 81% and reduced travel time by 22%.
- Scaled statewide, achieving labour cost reduction from 77% → 71% and higher staff satisfaction.

Step 5 - Track and report

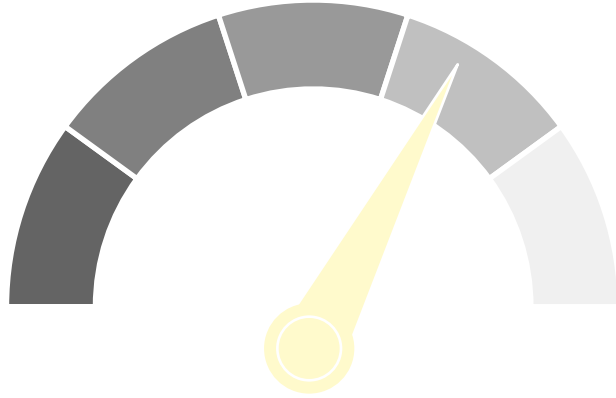
Objective Maintain efficiency and avoid drift back to old patterns; keep management/ board up to date on performance

Metric	Baseline	Target	Frequency
Labour cost % of revenue	77%	70%	Quarterly
Utilisation rate	70%	≥ 85%	Monthly
Travel time % of paid hours	28%	≤ 20%	Monthly
Agency usage %	12%	<10%	Quarterly

Governance and reporting:

- Monthly “workforce efficiency dashboard” reviewed by leadership.
- Quarterly continuous improvement forum for rostering and workforce leads.
- Annual cost-out refresh to test new ideas.

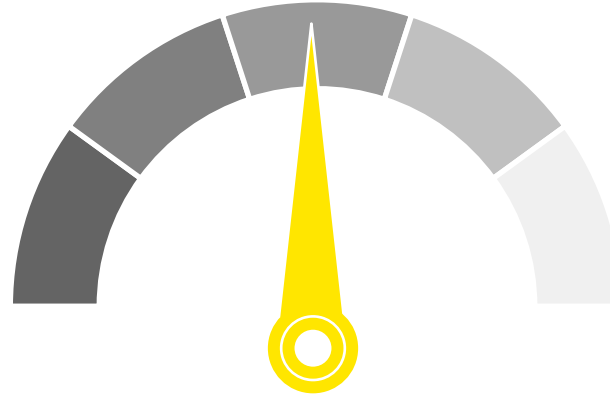
Three case examples - Community Care Victoria



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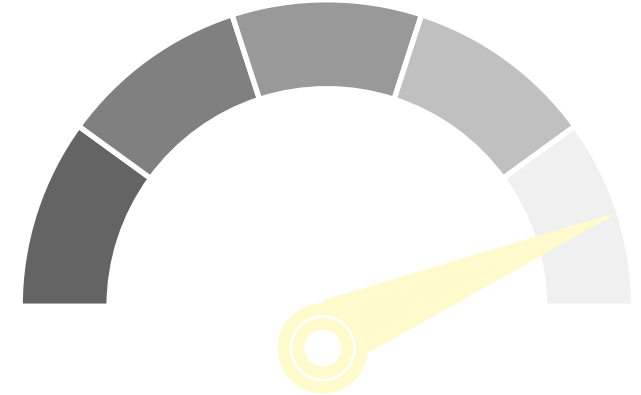
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High Indirect Costs

How to reduce costs associated with rostering frontline staff i.e. how frontline staff are managed and allocated

2



High Corporate Costs

How to back-off costs such as finance, HR, admin and reporting i.e. cost to manage the business

3

Case study 2: Community Care Victoria (Fictional) - High indirect costs



Clients

- | | |
|---|--|
| <ul style="list-style-type: none"> • Unreliable visit times and frequent changes. • Different workers each week. • Losing trust and switching providers. | <ul style="list-style-type: none"> • Consistent schedules and familiar workers. • Advance notice of any changes. • Improved satisfaction and retention. |
|---|--|

Care Workers

- | | |
|--|--|
| <ul style="list-style-type: none"> • Short-notice roster changes. • Confusing communications. • Long travel times and uneven workload/ not enough hours | <ul style="list-style-type: none"> • Clear, predictable rosters via mobile app. • Real-time updates and shift alerts. • Less travel, higher satisfaction. |
|--|--|

Rosterer / Team Leaders

- | | |
|---|---|
| <ul style="list-style-type: none"> • Manual spreadsheets and rework. • Easier to book agency staff than book own staff. • High stress, low visibility. | <ul style="list-style-type: none"> • Interoperable system. • Quick local decisions. • Lower rework and admin effort. |
|---|---|

Step 1 - Identify cost base

Objective

Identify inefficiencies in rostering process driving high indirect workforce costs and lost productivity.

Actions:

- Analyse administrative and rostering costs as a share of total labour spend.
- Review process maps to identify manual handling, double entry, and approval bottlenecks.
- Measure key performance metrics:
 - Rostering cost as % of revenue
 - Average time to fill shifts
 - Number of roster changes per week
 - FTEs dedicated to rostering
- Gather staff feedback on rostering accuracy, responsiveness, and communication.

Community Care Vic:

Managed rostering centrally with **eight full-time staff** using manual spreadsheets, email and old rostering system.

- **Rostering cost:** 10.5% of total revenue.
- **Average shift fill time:** 2-3 days.
- **High rework rate:** 25% of shifts required change after initial scheduling.
- **Poor utilisation:** 73% due to travel inefficiency and late cancellations.
- Staff described rostering as “slow and frustrating”, with frequent payroll errors and double-handling between admin and team leaders.

Step 2 - Identify root causes/ cost drivers

Objective

Pinpoint structural and process inefficiencies contributing to cost and poor performance.

Actions:

- Review rostering workflows and measure where time and effort are spent.
- Map key process issues – double-handling, delays, and approval bottlenecks.
- Hold short workshops with rostering staff, team leaders and care workers to:
- Identify daily frustrations and duplication.
- Brainstorm quick, practical improvements.
- Quantify the impact of manual rework and delayed approvals.
- Review system integration gaps between rostering, payroll and billing.

Community Care Vic:

- Rostering data entered separately into three systems (spreadsheets, HR, payroll).
- Frequent manual corrections and approval loops.
- No real-time visibility of staff availability or travel zones.
- 40% of roster changes triggered by poor communication or delayed updates.
- This caused unnecessary administrative cost and operational inefficiency - a clear target for cost-out through automation and role redesign.

Step 3 - Identify opportunities and prioritise

Objective

Simplify rostering processes and redesign team structure to improve efficiency, accuracy, and cost-effectiveness.

Actions:

- **Implement a digital rostering system** integrated with payroll and client management systems to enable real-time scheduling, shift acceptance via mobile, and travel optimisation.
- **Restructure the rostering team** to reduce duplication and consolidate roles eg Eight schedulers to four regional rosters.
- **Reassign two roles to client coordination and one to data reporting.**
- **Standardise rostering workflows** and introduce digital approval rules for shift swaps, leave, and replacements.
- **Train team leaders and care workers** to use the new digital platform for self-service roster updates. Encourage ownership at the frontline to reduce admin touchpoints.

Community Care Vic:

- Selected a cloud-based rostering tool linked to payroll and billing.
- Simplified approval flows and consolidated team into three regional schedulers, the organisation reduced manual handling and administrative burden.
- Team leaders gained access to real-time dashboards, allowing them to view availability and fill shifts locally.

Step 4 - Test, scale and embed

Objective

Pilot the new system and structure in one area, then roll out across the organisation once benefits are proven.

Actions:

- **Pilot:** 8-week trial in one region.
 - Compare baseline and post-implementation metrics (fill time, errors, overtime, admin hours).
 - Capture qualitative feedback from schedulers and care staff.
- **Scale:** Extend to remaining regions once reliability and data accuracy confirmed.
 - Retire old systems and spreadsheets.
 - Standardise data entry, workflows, and reporting.
- **Embed:** Align team KPIs with efficiency and accuracy.
 - Introduce monthly rostering dashboard to track performance.
 - Recognise high-performing staff to reinforce adoption.

Community Care Vic:

- The pilot reduced average roster fill time from **2.5 days to under 1 day**, and admin workload dropped by **40%**.
- After scaling statewide, Community Care Vic reduced the rostering team from eight to four FTEs and redeployed two staff to client-facing roles.
- Roster accuracy improved by **20%**, and payroll discrepancies fell sharply.

Step 5 - Track and report

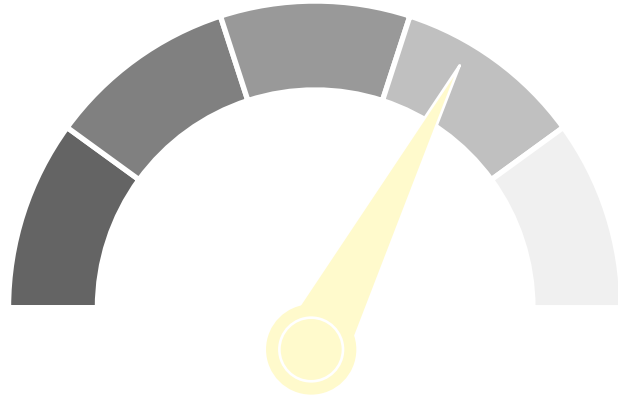
Objective Ensure savings and efficiency gains are maintained through ongoing monitoring and capability building.

Actions:

- Monitor key performance indicators
- Embed continuous improvement through quarterly process reviews.
- Use rostering data for proactive workforce planning (e.g. predict high-demand periods, identify underutilised staff).
- Reinvest savings into further digital enablement and workforce training.

Measure	Before	After	Improvement
Rostering cost % of revenue	10.5%	3.2%	↓ 7.3 pts
Rostering FTE	6	3	↓ 50%
Average time to fill shift	2-3 days	<1 day	↓ 60%
Roster accuracy	78%	94%	↑ 16 pts
Payroll errors	12% of pays	3%	↓ 9 pts
Utilisation rate	73%	85%	↑ 12 pts

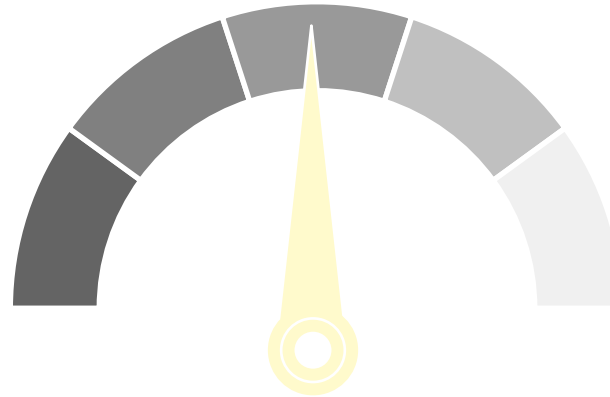
Three case examples - Community Care Victoria



High Direct Costs

How to reduce costs and improve productivity of front-line staff while maintaining quality i.e. how frontline staff spend their time

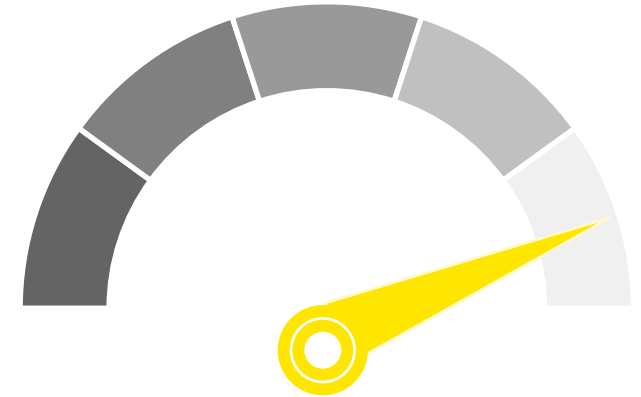
1



High Indirect Costs

How to reduce costs associated with rostering frontline staff i.e. how frontline staff are managed and allocated

2






High Corporate Costs

How to reduce back-off costs such as finance, HR, admin and reporting i.e. cost to manage the business

3

Case study 3: Community Care Victoria (Fictional) - High back-office costs

 Stakeholder	 Current State - Pain Points	 Future State - Desired Outcomes
Executive/ Board	<ul style="list-style-type: none"> Poor data visibility and compliance risk Insufficient information Difficulty scaling without adding cost 	<ul style="list-style-type: none"> Real-time dashboards Reliable data, stronger governance and scalability
Admin & Finance Staff	<ul style="list-style-type: none"> Multiple disconnected systems Manual data entry, frequent errors No single view of client/ staff 	<ul style="list-style-type: none"> Interoperable systems Automated data flows Minimal manual handling / duplication
Managers / Team Leaders	<ul style="list-style-type: none"> Limited visibility and slow reporting Time spent chasing data 	<ul style="list-style-type: none"> Real-time dashboards and clear KPIs Faster, evidence-based decisions
Care Workers	<ul style="list-style-type: none"> Delayed or incorrect pay No easy access to pay or shift info 	<ul style="list-style-type: none"> Accurate, on-time pay Mobile access to shifts, payslips and training
Clients / Organisation	<ul style="list-style-type: none"> Late or inaccurate invoices Confusion over charges 	<ul style="list-style-type: none"> Timely, accurate invoices Clear communication and trust

Three key options to consider for reducing back-office costs

Option	Description	When to Consider	Potential Benefits	Key Risks / Considerations
1. Keep In-House (Optimise)	<ul style="list-style-type: none"> Retain all back-office functions internally (e.g. payroll, billing, finance, HR). Focus on process improvement, automation, and integration of existing systems. 	<ul style="list-style-type: none"> Function is core to service quality or client experience. Systems can be modernised internally. Provider wants full control of data and processes. 	<ul style="list-style-type: none"> Strong control and alignment with organisation culture. Builds internal capability and resilience. 	<ul style="list-style-type: none"> Requires digital investment. May limit scale efficiencies if done alone.
2. Specialist Third Party Shared Services Model	<ul style="list-style-type: none"> Engage an external provider to deliver specific functions such as payroll, accounts payable, or IT. The provider manages systems, staff, and compliance. 	<ul style="list-style-type: none"> Functions are transactional and standardised. Cost pressures or system immaturity make in-house delivery inefficient. Need for technology uplift without capital spend. 	<ul style="list-style-type: none"> Cost reduction and access to specialist expertise. Improved accuracy, compliance, and turnaround times. Scalable cost model. 	<ul style="list-style-type: none"> Reduced direct control. Risk of service quality issues if governance or data integration is weak.
3. Cooperative Shared-Service Model (with similar providers)	<ul style="list-style-type: none"> Partner with similar mission-based organisations to share back-office functions (e.g. finance, payroll, ICT) through a joint service hub or co-operative. 	<ul style="list-style-type: none"> Providers of similar scale and values seek collective efficiency. Desire to retain ownership and sector knowledge while sharing cost. 	<ul style="list-style-type: none"> Economies of scale with shared investment in digital systems. Sector collaboration and peer learning. Greater bargaining power with vendors. 	<ul style="list-style-type: none"> Requires clear governance and decision-making arrangements Complexity in aligning policies and systems.

There are potential opportunities to consider a shared back-office function

Current model - Each aged care provider has their own back-office function

AC Provider	AC Provider	AC Provider	AC Provider...
Finance	Finance	Finance	Finance
Payroll	Payroll	Payroll	Payroll
HR	HR	HR	HR
Risk	Risk	Risk	Risk
Procurement	Procurement	Procurement	Procurement
Fundraising	Fundraising	Fundraising	Fundraising
Marketing	Marketing	Marketing	Marketing
IT	IT	IT	IT
Secretarial	Secretarial	Secretarial	Secretarial

The current decentralised approach allows autonomy to perform back-office functions and choose technology. But there are some limitations:

- Limited resourcing / expertise to implement innovative approaches and technologies
- Duplication of standard activities for providers
- Potential high fixed costs given limited ability to achieve benefits of scale

Shared services can address some of the limitations of the current decentralised model

Shared services is a business model in which common functions are streamlined into a single, centralised unit.¹ Typically, shared service models include back-office functions such as accounting, payroll and information technology.

Shared service models *are not the same* as outsourcing. Organisations maintain control over functions, with a need for some in-house knowledge to be maintained for certain functions

Potential benefits of shared service models are outlined below.



Improved consistency and standardisation of service delivery



Lower long-term costs through economies of scale



Improved data and reporting through improved processes



Improve efficacy of operations through reduced duplication



Scalability and flexibility to adapt to organisational changes

Interest in shared services of selected back-office functions

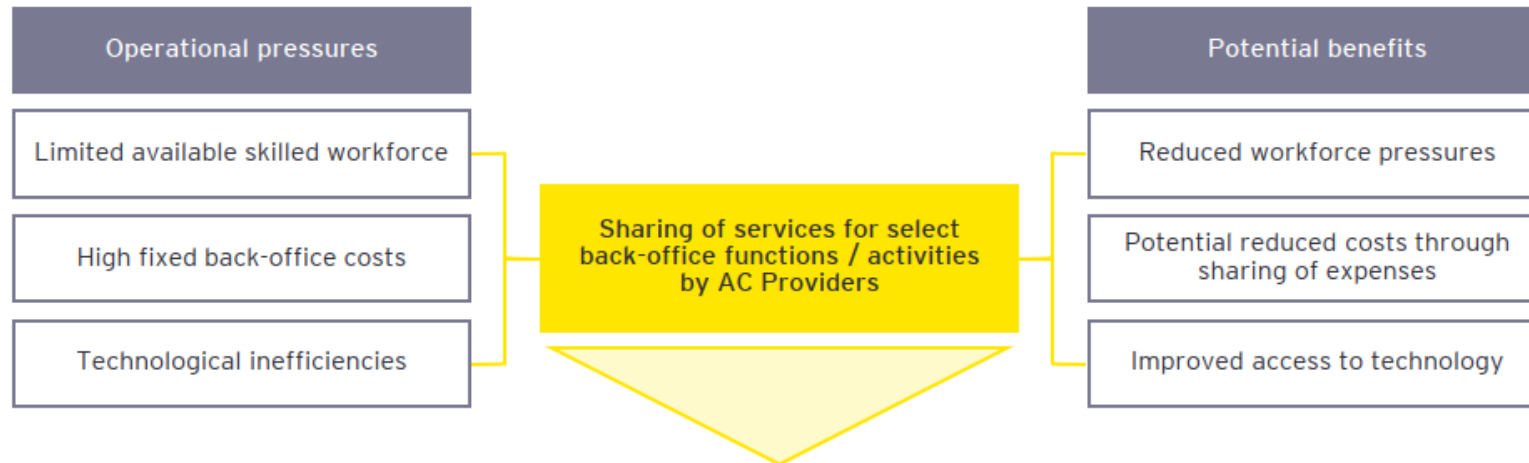
Establishing shared services for some back-office functions is seen as desirable by all AC Providers surveyed, noting varied interest in specific functions and service arrangements

Question	Provider A	Provider B	Provider C	Provider D	Provider E	Desirability
Interest in shared services						
Accounting and Finance			✓	✓	✓	●
Payroll						●
HR (includes learning and development, health and safety)	✓	✓		✓	✓	●
Quality and risk management	✓	✓			✓	●
Procurement	✓	✓		✓	✓	●
Grant writing and fundraising	✓	✓		✓	✓	●
Marketing, public relations and lobbying		✓		✓	✓	●
IT and cyber security	✓	✓			✓	●
Company Secretarial		✓				●
Preferred shared services arrangement						
Local provider hosts the arrangement, other organisations use their services for a fee		✓	✓	✓	✓	●
A separate entity is created to own, govern, manage and deliver services				✓	✓	●
An independent Third-Party provider is engaged to provide services	✓		✓	✓	✓	●

An alternative to third party shared services is partnering with other providers in our area

Sharing of services seeks to deliver benefits to all providers

For organisations facing operational pressures on back-office delivery, sharing of select back-office functions can support establishment of greater scale to deliver operational improvements. Rather than being revenue-driven, sharing of services seeks to deliver improvements to all organisations involved, as highlighted below.



Sharing of services can include a range of activities, operating at varied scale, that can be tailored to the needs of providers. Illustrative examples are provided below.



Sharing of resources

Resources shared between AC Providers, such as back-office staff with specialized skills.



Sharing of expertise

AC Providers with higher maturity back-office functions share resources, processes or expertise with other AC Providers.



Increasing of volume

Creating a buying group may support AC Providers to gain influence in the market and negotiate better agreements

Case study: Murrumbidgee Aged Care Network¹

The Murrumbidgee region covers approximately 125,000 square kilometres of NSW. Residential aged care facilities provide a vital service in the region, supporting people to be cared for in their local communities as they age. However, the burden to deliver back-office functions was becoming unsustainable for the seven providers in the region given increasing Government regulations.

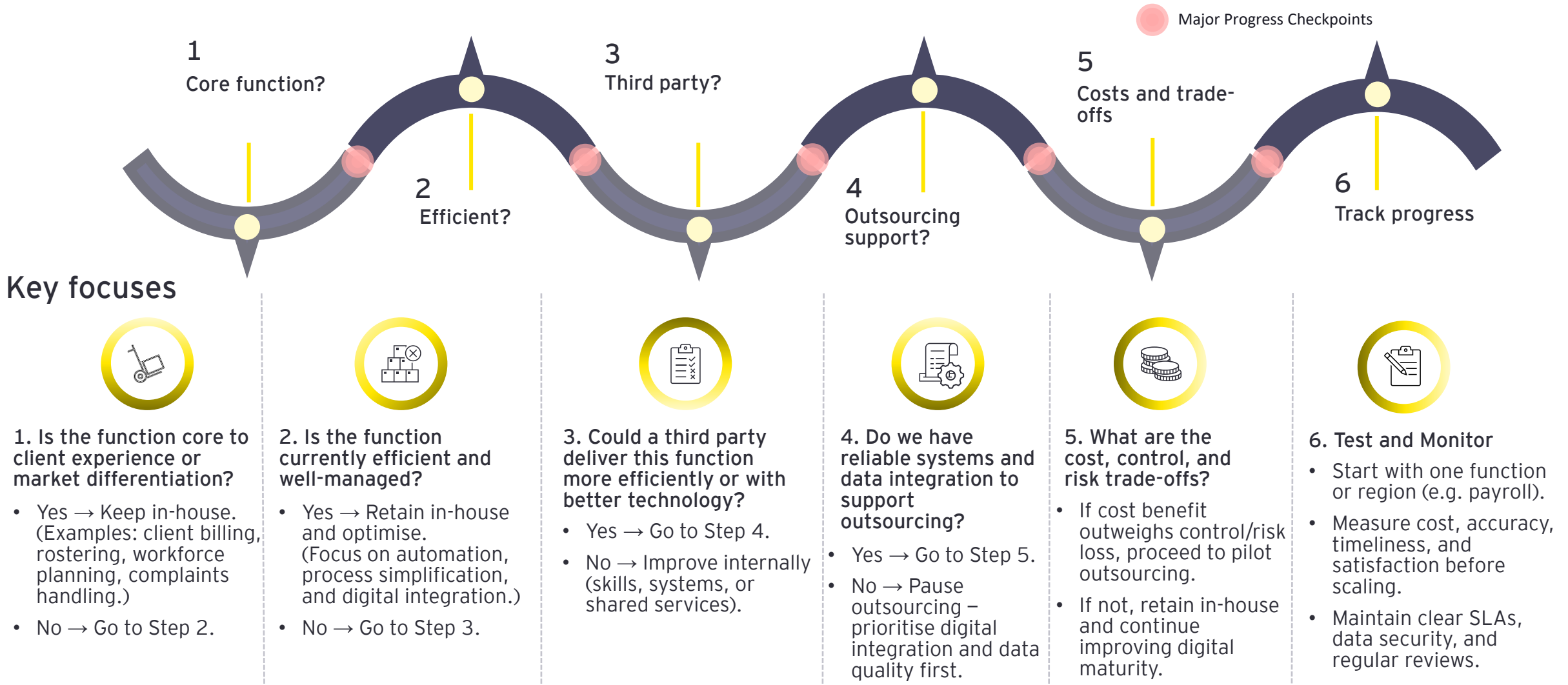
To address this challenge, providers are exploring a sharing of services through a co-op model to achieve greater efficiencies while remaining independent and community care focused. The model has yet to be implemented, but activities completed to date have included:

- Financial modelling and business plan development
- Comprehensive risk analysis
- Exploration of potential funding sources
- Initial discussion on governance structures

Providers are hoping to finalise the model for implementation by end of June 2025.

Source: 1. <https://caretogether.coop/project/murrumbidgee-aged-care-network/>

Key considerations in deciding to keep or outsource back office functions



Key Takeaway: Outsource for efficiency – not abdication. Choose the model that maintains control of client-critical functions while leveraging partners for transactional efficiency.



04

Session close

Next steps

For additional support or questions about managing costs and pricing, reach out to our Aged Care Advisory team at agedcareadvisory@au.ey.com



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