

# Ideaction 2009

Facilities Management in Aged Care

A Case Study

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May 2009



## Abstract

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Programmed Group has a history of providing property maintenance and services solutions in the Aged Care and Retirement Living markets spanning more than 40 years.

During 2008 Programmed Facility Management was awarded a contract to provide an integrated facilities management service for a portfolio of properties owned and operated by a major not for profit aged care organisation with a portfolio of properties in Western Sydney. The facilities range from high care nursing homes and low care hostels to independent living units within large scale retirement villages.

Under the contract Programmed FM is required to provide a range of management and facilities services that can be broadly categorised as follows;



Liaison and advisory services, help desk services, management information and reporting, asset management, maintenance planning, risk management, regulatory compliance and safety management.



Maintenance and refurbishment services including electrical, hydraulic, carpentry, painting, mechanical plant and specialist equipment servicing, handyman services and grounds and garden maintenance services

The Aged Care industry has historically been a difficult market for the external facility management operators to gain a strong foothold due to a general belief by the operators that there is a fundamental difference of philosophy between their mission to provide affordable care for the aged and infirm and the profit motives of commercial facilities management providers.

Programmed FM is attempting to resolve this cultural dichotomy by developing a service delivery and communication model that places the needs of the residents and care staff at the centre of the FM solution. Activities include staff and resident focus groups, customer satisfaction surveys and the use of on-line information portals.

In addition to the provision of care there is also a growing recognition within the aged care industry, both in the for profit and the not for profit sectors that their significant property holdings necessitate a professional asset management and maintenance strategy that is based on a portfolio valuation approach and whole of life framework.

This requirement is being addressing through the development of a detailed asset management database for the aged care provider's buildings, assets & grounds portfolio that includes the preparation of asset registers, asset condition assessments, the development of annual maintenance strategies and the preparation of medium and long term capital refurbishment and replacement plans.



# Facilities Management in Aged Care

## 1.1. Introduction

The Australian Aged Care market is forecast to grow rapidly over the next 20 years. Demographers have calculated that by 2026 there will be 5.1m Australians aged over 65 of whom more than 300,000 will require full or partial accommodation and healthcare support within purpose built aged care communities. (Report on the Operation of the Aged Care Act 2008)

The Property Council of Australia has estimated that in addition to the more than \$4bn currently invested in new and upgraded facilities annually there will be additional \$40bn of construction investment in new aged care and retirement living accommodation required to meet this growing need.

The magnitude of this infrastructure investment opens up unprecedented opportunities for the facilities management and property services sectors to deliver tangible commercial value to the owners, operators and users of aged care services across the entire FM range of services from providing strategic FM and property advisory services to the direct delivery of hard and soft maintenance solutions.

The purpose of this paper is to identify the critical success factors that the FM industry must address if it is to provide and gain maximum value from this important and growing sector.

## 1.2. Facility types

The aged care and retirement sector is a highly regulated sector that incorporates a diverse portfolio of property types, ownership structures and funding models that are most often classified as follows;

- ▶ Low Care Residential Aged Care
- ▶ High Care Residential Aged Care
- ▶ Retirement Villages and Self Care

In 2008 the number of people receiving residential aged care services in either low care or high care residential facilities was approximately 180,000, a growth of 6525 places above the 2007 statistics. Extrapolation of these trends suggests that by 2028 the number of Australians who will be resident in aged care facilities will increase to more than 320,000

In broad terms **low-level care** is the provision of suitable housing, accommodation and related services such as laundry, meals, cleaning and personal care services that may include assistance with bathing and feeding. **High-level care** includes the provision of housing, accommodation and personal care services with the additional requirement for professional nursing care services and the provision of specialist healthcare equipment.

The operations of both low care and high care residential facilities are governed by the **Aged Care Act 1997** that requires the facilities, processes and care personnel to be accredited against standards established by the Australian Government that verify that the operators are providing quality care and services for residents. All residential aged care homes must be accredited in order to receive funding from the Australian Government through residential care subsidies.



From a facilities management perspective, Standard 4 of the Accreditation framework covers eight elements addressing the provision of a safe and comfortable physical environment that ensures the quality of life and welfare of residents, staff and visitors. Elements specifically addressed include regulatory compliance, occupational health and safety, fire and security management, infection control and the provision of catering, cleaning and laundry services,

In addition to the obligations under the accreditation model there is a further requirement that each residential aged care property be certified in accordance with the **1999 Certification Assessment Instrument**. This standard covers a range of criteria including safety, hazards, privacy, access and mobility, OH&S, heating cooling, lighting, ventilation and security. (Australian Institute of Health and Welfare 2008. Residential aged care in Australia 2006–07: a statistical overview. Aged care statistics series 26. Cat. no. AGE 56. Canberra: AIHW)

**Retirement villages** are not subject to the same regulatory framework as residential aged care facilities and are defined under state legislation as complexes containing residential premises that are predominantly or exclusively occupied, by retired persons who have entered into contracts with a facility operator. They are not nursing homes or hostels but they are often indirectly linked to care support and are considered to be a point of entry into the residential aged care system.

### 1.3. Market Ownership

Within the residential aged care market the majority of facilities are still owned and operated by not-for-profit charitable and religious organisations as detailed in Table 1. These sectors account for more than 70% of all the registered facilities and approximately the same proportion of licensed beds. However the last 10 years has seen an increase in private investment in aged care through development companies and investment houses such as Babcock & Brown, Macquarie Bank and the entry of overseas private operators such as BUPA.

**Table 1: Number of Facilities by organisational type**

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total
Charitable	198	49	58	42	59	15	7	3	431
Community Based	175	135	77	35	46	26	2	4	510
Local Government	25	18	10	14	6	2	0	0	75
Private	231	293	109	70	59	8	3	0	773
Religious	268	126	214	90	83	27	11	8	827
State Government	17	179	21	3	32	10	0	0	262
	914	800	489	254	295	88	23	15	2878

Source: Residential Aged Care in Australia 2006-07. A statistical overview

The growth of interest of private operators especially in the retirement village sector is understandable. It is currently estimated that the cost to design and construct accommodation suitable for residential aged care is in the range of \$60,000 to \$70,000 per licensed bed and more than \$150,000 per dwelling for retirement village standard accommodation. With more than 140,000 new dwellings in retirement villages needed over the next 15 years and a similar number of low and high care beds required there is a forward investment requirement of nearly \$40bn needed over that period. (Grant Thornton)



In addition to the capital costs associated with the development of the villages and aged care facilities the expected doubling of the market size will mean a doubling of the funding and operational expenses needed to operate the residential care and associated facilities services. As Table 2 outlines, the forward annual revenue estimates prepared by the Australian Nursing Homes and Extended Care Association (ANHECA) forecast outlays on high and low care services to increase to more than \$26bn per annum over the next 15 years.

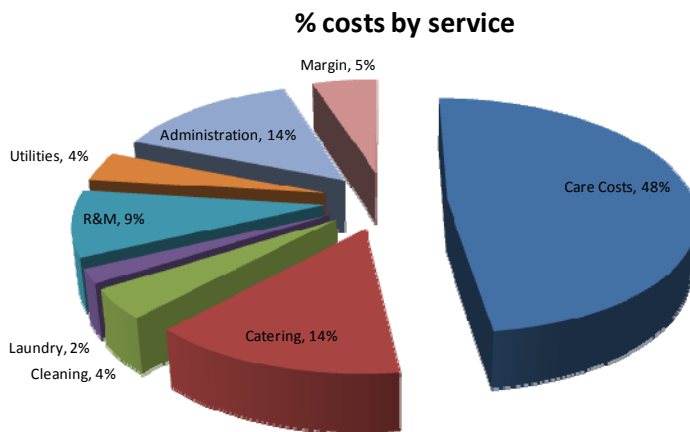
**Table 2: Expected Revenue by funding category ('000,000)**

Annual Revenue	2002-03	2012-13	2022-23	2032-33	2042-43
Residential High Care	5,175	9,830	20,263	40,613	73,501
Residential Low Care	1,532	2,908	5,961	11,805	21,233
Community Care Packages	266	340	522	842	1,185
HACC	863	1,624	3,133	6,182	10,901
Total Sector	7,835	14,702	29,880	59,442	106,819

Source: ANHECA

Figure 1 below highlights that, of the overall cost of operations within the residential high and low care sectors, the activities and services that are traditionally considered as hard or soft facilities management services currently account for approximately 33% with resident care and nursing, administration and operating margin accounting for the balance. This places an estimate of the current value of the opportunity to the Facilities Management industry in the range of \$3.5 to \$4.0bn which is expected to grow to more than \$7.0bn over the next decade. It is important to note that these figures related to the day to day operations and do not include property leasing, financing costs or costs associated with capital upgrades and the delivery of major project works.

**Figure 1**



Source: Aged Care Association of Australia – March 2006

Although there have been some exceptions over the last twenty years there has been a general reluctance by the major operators within the aged care sector within Australia to outsource what they consider to be core support services for their residents. The provision of warm, clean, comfortable



homelike accommodation and food coupled with pastoral care and nursing support has been considered to be the primary mission for the majority of the religious and community not-for-profit providers and the requirement for a profit and its associated performance drivers by the FM industry have been seen to be at odds with this.

The challenge for the facility management industry therefore is to create a value proposition that strategically aligns the needs of the aged care industry with its own through the development of professional management and service delivery solutions that support the primary mission of the aged care operators and allows them to concentrate on the key growth challenges facing their industry.

While it might appear to be a simple enough challenge the reality is that the aged market sector is a complex space with a diverse range of stakeholders, tight financial limitations operating in a strongly regulated environment and facing a massive increase in demand for its services.

## 1.4. Strategic Alignment

In their seminal 1993 paper “Customer Intimacy and Other Value Disciplines” Treacy and Wiersema postulated that companies that took leadership positions in their markets or industries did so by creating customer value in line with one of three value disciplines – operational excellence, customer intimacy or product leadership. The general theory was that companies that are able to excel in one of these three disciplines while meeting industry standards in the other two will out-perform their competition because their entire operating model (culture, business processes, management systems, etc) would be aligned to achieve optimal outcomes in their chosen discipline.

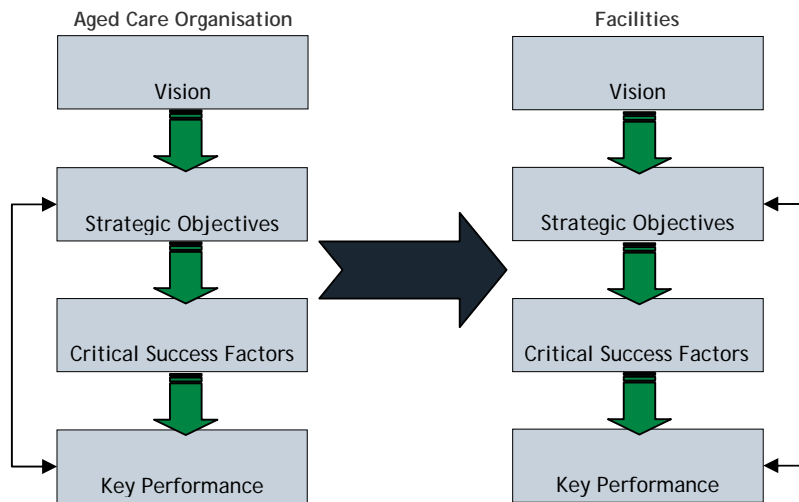
- ▶ Operational Excellence - a focus on delivering products and services at the lowest cost and with greatest efficiency.
- ▶ Product Leadership –a continuous focus on innovation and product development, quick to market and the avoidance of bureaucracy
- ▶ Customer Intimacy – a continuous tailoring and shaping of products and services to meet an increasingly better defined customer need

It would be fair to surmise that across the more than 500 registered aged care organisations there will be a diverse range of business strategies in place, formal and informal, with the most successful operators likely to be pursuing a strategic plan built around one of these three primary disciplines of excellence. Whether there is a bias within the aged care industry towards one of these disciplines above the others is not known. It would be fair to conclude that the greater majority would place resident care at the centre of their strategy but it is quite likely that the industry’s financial and regulatory challenges require an increasing focus on operational excellence as a key success measure.

Regardless of which discipline is being pursued, the fundamental challenge for the facility management team or external service provider is the linking of the facilities management and property services performance to the achievement of the organisation’s mission and business goals through the use of a formal plan incorporating critical success factors and key performance indicators.



**Figure 2: Aligning Strategy**



For example the promotion of the quality of care and the quality of life for its residents is a key strategic objective for all aged care providers. The quality of accommodation and the maintenance of resident privacy within a home-like environment is hugely influenced by the physical facilities within which care is delivered, commencing with the design through to the models of care and operations and maintenance of the buildings and grounds.

The key performance indicators measuring the success or otherwise in meeting quality based objectives will include empirical measurements of cleanliness, temperature variability, indoor air quality, the quality of lighting, the number of meals served on time. They may also include more qualitative measurements such as general perceptions of comfort, satisfaction with catering menu choices or garden and landscaping designs and even satisfaction with the level and quality of face to face communication etc. Formal and informal resident focus group meetings and satisfaction surveys should be used to inform the facilities management team of satisfaction and performance levels and identify opportunities for improvement across these areas.

The development and implementation of a structured portfolio management plan for a religious not-for-profit organisation in support of their strategic objective of being a responsible guardian of the Church’s assets and resources is another example where the Facility Management specialist can add considerable strategic value. This approach will include the development of asset registers, asset condition assessments, planned and preventative maintenance plans, risk management plans and environmental management plans which are business critical and underpin the accreditation and compliance obligations of the aged care organisation.

Beyond the CEO or Board of Management the involvement of each facility’s Director of Care, the nursing and support staff and the residents must also be incorporated into the tactical and operational planning processes and performance measurements. Table 3 details examples of the facility management deliverables for each of the stakeholders that could be incorporated into an integrated facilities management solution in support of a organisation’s overall business strategy.



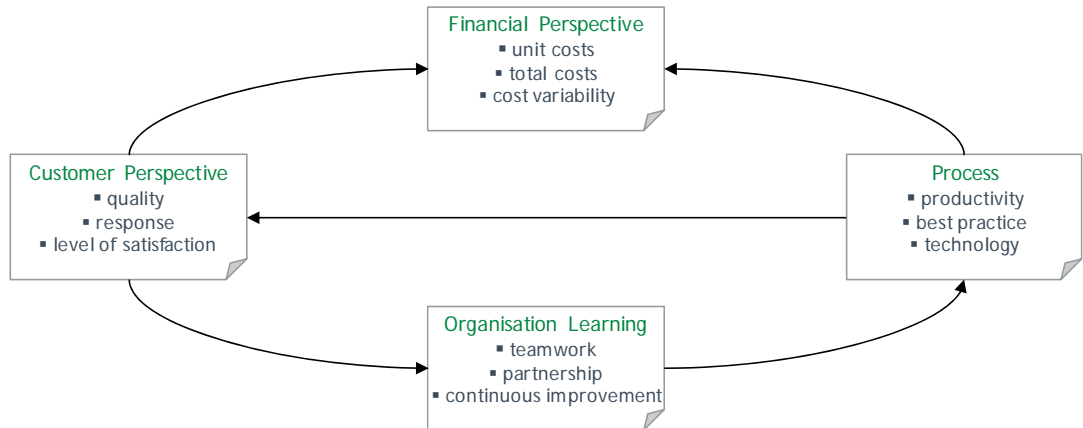
**Table 3: Example of Stakeholder Deliverables**

Stakeholder	Strategic Deliverables	Tactical	Operational
Owners/Board of Management	<ul style="list-style-type: none"> <li>Strategic Plan</li> <li>Portfolio Strategy</li> <li>Business Risk Management</li> <li>Return on Investment hurdles</li> </ul>	<ul style="list-style-type: none"> <li>Portfolio Budgeting &amp; Planning framework</li> </ul>	<ul style="list-style-type: none"> <li>Annual Reports</li> <li>Board meetings</li> </ul>
CEO/General Manager	<ul style="list-style-type: none"> <li>Business Planning</li> <li>Portfolio Management</li> <li>Greenhouse &amp; Energy</li> <li>Risk Mitigation</li> <li>Stakeholder Needs and Engagement</li> <li>Operational benchmarking</li> </ul>	<ul style="list-style-type: none"> <li>Site Budgeting &amp; Planning framework</li> <li>Information Systems</li> <li>Life Cycle Planning</li> <li>Value Engineering</li> <li>Asset Condition assessments</li> <li>Service Level Agreement Design</li> <li>Procurement of Services</li> <li>Supplier Development Plan</li> <li>Contingency Planning</li> </ul>	<ul style="list-style-type: none"> <li>Monthly Reporting</li> <li>Evidence of Regulatory Compliance</li> <li>Accreditation support</li> <li>Continuous Improvement Initiatives</li> <li>Invoicing and cash flow management</li> <li>Asset availability</li> <li>Customer Satisfaction Evaluation</li> </ul>
Directors of Care/Facilities Operators & Care Staff	<ul style="list-style-type: none"> <li>Annual Business Planning</li> </ul>	<ul style="list-style-type: none"> <li>Annual Maintenance plans</li> <li>SLAs</li> <li>Measurement &amp; Improvement Program</li> <li>CMMS &amp; Call centre</li> <li>Training &amp; induction system</li> <li>Policies &amp; manuals</li> <li>Delegation of Authority Approvals</li> </ul>	<ul style="list-style-type: none"> <li>Delivery of services</li> <li>Transactional Management</li> <li>Financial management</li> <li>Management of Registers</li> <li>Daily weekly reports</li> <li>Staff Rosters and resourcing</li> <li>Staff and Trade Inductions</li> <li>Licensing &amp; Insurance management</li> <li>Audits &amp; Accreditation</li> <li>Works Permits</li> </ul>
Residents/Families		<ul style="list-style-type: none"> <li>Clean, warm and safe and secure future environment</li> </ul>	<ul style="list-style-type: none"> <li>Clean, warm and safe and secure environment</li> <li>Indoor Air Quality</li> <li>Familiar faces</li> <li>Access to handyman services</li> <li>Recognition of needs</li> <li>Courteous and supportive interface</li> <li>Ownership of their issues</li> </ul>



The use of the Balanced Scorecard (BSC) framework, developed by Kaplan and Norton, is one approach that can be used to connect the components of a strategic facilities management plan into a cohesive model that aligns the operations with the strategy. The BSC, as illustrated below is particularly suited to the aged care sector in that it incorporates not only financial/fiduciary measures but also tangible and intangible measures of customer satisfaction, internal process efficiency and personal learning perspectives relevant to each stakeholder group or individual.

**Figure 3: Balanced Scorecard**



The critical work to be done here is to undertake the necessary level of communication and investigation to ascertain which key elements to measure and to determine realistic but challenging metric targets for each element. A collaborative approach built upon a shared understanding of the business mission is the key with workshops, focus groups and contract documentation all important tools and methods.

The following case study illustrates how this approach has been used successfully to deliver improved financial and service value to a major aged care provider.

## 1.5. Case Study

During 2008 Programmed Facility Management was awarded a contract to provide an integrated facilities management service for a portfolio of properties owned and operated by a major not for profit aged care organisation in Western Sydney. The facilities include a number of high care nursing homes (400 beds) and low care hostels (600 beds) as well as a number of independent living units (500 units) spread across 12 retirement villages.

Under the contract Programmed FM is required to provide a range of management and facilities services that can be broadly categorised as follows;

### Facilities Management Services:

Liaison and advisory services, help desk services, managing information and reporting, asset management, maintenance planning, risk management, regulatory compliance and safety management.



### Property Services:

Maintenance and refurbishment services including electrical, hydraulic, thermostatic mixing valves, lifts, fire systems, carpentry, painting, mechanical plant and specialist equipment servicing, handyman services and grounds and garden maintenance services

The organisation had previously managed the delivery of trade services through a team of in-house handymen with each facility generally having a full time resource delivering some minor painting and carpentry services with the majority of trade work provided by local subcontractors. While some sites had the benefit of a basic CMMS solution and high level maintenance plan, the majority of the sites were still operating a reactive maintenance service through a logbook in the main office.

To support the key strategic objectives of the organisation to improve the performance of its property assets and the quality of the maintenance services to its facilities the decision was made to consolidate the facilities management and maintenance services of the 14 facilities under a single regional model. The success of the model would be measured by the level of regulatory compliance, the cost of the services and the added value that the FM provider could make to the asset management and capital planning needs of the business.

While the decision had been taken to engage a specialist FM organisation to deliver these outcomes a key concern of the client, particularly at the facility level, was the perception that there is a fundamental difference of philosophy between their mission to provide an affordable aged care service and the profit motives of commercial facilities management providers. Additional challenges around strong local and group wide cultures and operational practices also had to be met and a change management strategy developed.

The approach of in resolving this perceived cultural dichotomy was to develop a service delivery and communication model that placed the needs of the residents and care staff at the centre of the FM solution. Activities undertaken during the mobilisation phase of the contract included instituting a Project Control Group (PCG) governance structure comprising senior management, site management, staff and resident representatives to guide the project. Extensive staff and resident focus groups were also undertaken. Post mobilisation customer satisfaction surveys and the use of on-line information portals to keep the staff and residents informed were also used as a means of ensuring the voice of all stakeholders were heard.

The operational model that is in place is built around a centralised Help Desk that supports the 14 facilities on a 24/7/365 basis and utilises a CMMS package with internet access for sites to log jobs and track work in progress. Within the CMMS an asset register and maintenance plan drives planned and preventative maintenance tasks and assigns planned and reactive work orders to the in-house team or external trade specialists. The consistent approach to the recording and coding of works means that it is now relatively easy to benchmark costs and asset performance across the portfolio.

The in-house trade team is comprised of a mix of licensed trades, handyman and grounds maintenance staff that work across sites and facilities from mobile vans. As familiarity of staff is rightly considered a major issue by the residents, each site has a notional “tradie” who undertakes routine site inspections and meets on a daily basis with the directors of care for the facilities. The FM team is also responsible for the identifying and procuring external contractors and manage work clearances, site inductions, licences and insurances, work audits and inspections and general performance management.

All work requests received by the Help Desk are assigned a response and rectification priority depending on their urgency, the compliance of which is a Key Performance Indicator. The majority of works undertaken by the teams relate to minor electrical and hydraulic works and statutory tasks such as fire



testing and the testing of thermostatic mixing valves. An unexpected outcome is that more than 10% of the work orders undertaken within the low care and retirement village facilities relate to domestic tasks such as the tuning of TVs and the assembly of flat pack furniture and general portering activities.

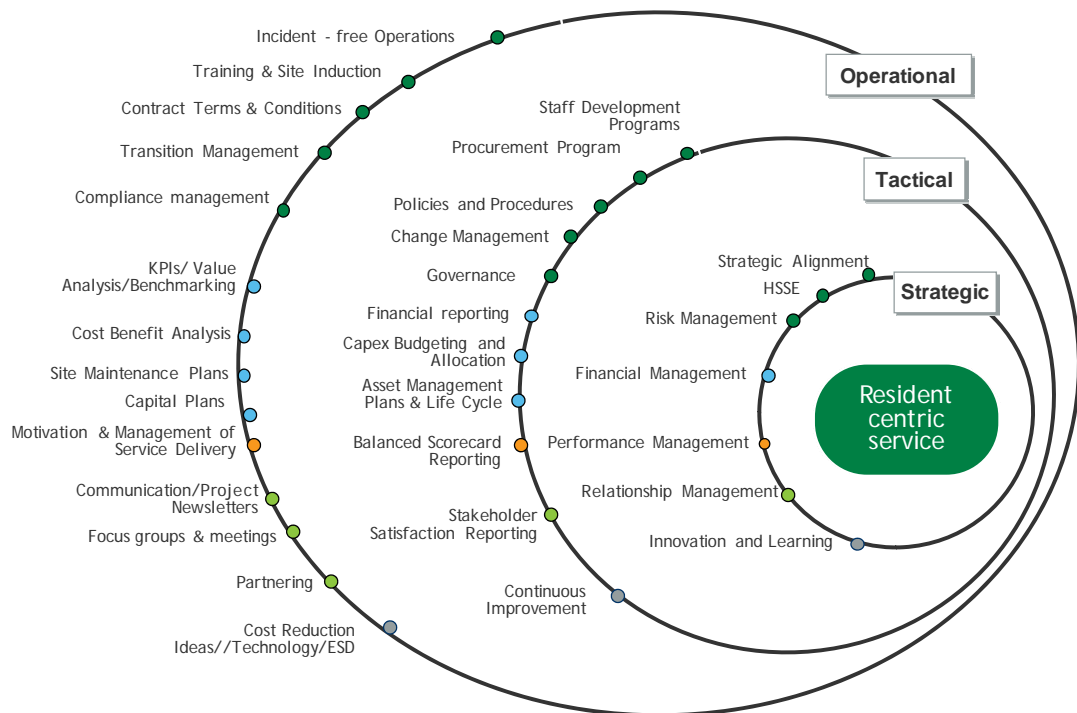
The critical asset management component of the integrated FM solution was addressed through the development of a detailed asset management database of buildings, assets & grounds inventory including the preparation of asset registers, asset condition assessments, the development of annual maintenance strategies and the preparation of medium and long term capital refurbishment and replacement plans.

The preparation of operational plans around energy and water consumption and conservation is also a key deliverable as is the preparation of service improvement initiatives around landscaping and gardening.

A formally documented Communication Plan provides a framework and processes to ensure that each of the key stakeholders from residents through to the general management are properly kept informed of the activities and performance of the service delivery solution.

The following diagram illustrates the strategic, tactical and operational activities of the model now in place or in the process of being developed. The Monthly PCG meetings continue and are the forum for the review of the strategy and project progress.

**Figure 4: Resident Centric Solution**



While still early days there is general agreement that the majority of the benefits of the project especially in terms of the asset management and maintenance deliverables are being met. Early customer satisfaction surveys across the stakeholder group have been positive and the significant improvement in the level of management information will now help to inform capital investment decisions into the next planning period.

There remain a number of challenges in terms of “inclusiveness” with some sites still grieving the loss of direct control over their handyman but overall the response and rectification targets for responsive maintenance tasks are being met.

The main objectives for the next phase of the contract term are to consolidate operational performance and at the same time to enhance the asset management value to the client’s substantial and growing portfolio.

## 1.6. Conclusion

Over the next 30 years the Aged Care market will provide an unprecedented opportunity for facilities management organisations, teams and industry specialists to demonstrate the value that their professional knowledge and skills can deliver to the organisations that they work within.

Whether it is in the area of enhancing portfolio value through the deployment of strategic asset management planning or through the design and provision of reliable and compliant property maintenance solutions there is no question that enormous commercial and organisational value can be extracted if the facilities management solution is properly aligned to the organisations strategic mission.



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