



Cost-benefit analysis of extending support for residential care leavers in South Australia

Anglicare Victoria – Home Stretch Campaign

Final report

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Extending support to 21 years for residential care leavers in South Australia





Access to extended support beyond 18 years is not universal in South Australia.

As a ‘corporate parent’, state, territory and federal governments have an ongoing responsibility into early adulthood, much like any other family setting where parental support rarely ends at 18 years.¹

Many care leavers struggle to cope independently at 18 years and **face poorer life outcomes across education, employment, housing, health and criminal justice involvement** compared to their peers.²

Children and young people entering residential care **are some of the most vulnerable children and young people in society**, with research showing higher baseline levels of mental health distress. When they exit care, they become the most disadvantaged compared to care leavers from other care types and face an even higher risk of poor outcomes.

Compared to other care leavers, residential care leavers are:²

-  **1.6** times more likely to have a **hospital admission**
-  **3.7** times more likely to be hospitalised for **alcohol and drug use**
-  **3.4** times more likely to be hospitalised for **mental health**
-  **1.9** times more likely to have contact with **homelessness services**.

When compared to the general population of peers, these risks are even higher. For example, **hospital admissions** are **8.5 times** more likely and contact with **homelessness services** are **16.5 times** more likely.²

Extending support from the age of 18 to 21 years can smooth this transition. It can build residential care leavers’ capability and confidence and positioning them to make a positive start in adult life.

As some of the most disadvantaged young people, residential care leavers represent a cohort with **significant potential to secure a meaningful improvement in long-term outcomes.**

Extended support is currently offered across most of Australia. However, **South Australia (SA) is lagging behind** as one of only two Australian states and territories that **does not offer extended support to residential care leavers beyond 18 years.**

1. Dixon, J. and Lee, J., (February 2025) Corporate Parenting for young people in care – making the difference? <https://thehomestretch.org.au/site/wp-content/uploads/2016/08/Jo-Dixon-Catch-22-Corporate-Parenting.pdf>

2. Haag, D., Montgomerie, A., Gialamas, A., et al (February 2021), *Eligibility for a care leavers program: Supporting social impact investment in South Australia*, BetterStart Health and Development Research, The University of Adelaide <<https://health.adelaide.edu.au/betterstart/ua/media/88/betterstart-report-eligibility-for-a-care-leavers-program.pdf>>.

Approach to cost benefit analysis

The CBA assesses the financial and wellbeing benefits which may result from providing extended support to residential care leavers.

The **extended support offer** supports residential care leavers who wish to remain in a supported care environment until the age of 21.

It costs approximately **\$25,000** per year, per residential care leaver, and includes:



Allowance (can be used for housing or accommodation)



Case work



Brokerage or education allowance

In any one year in SA, 108 residential care leavers exiting care at 18 would be eligible for extended support.

- In line with other Australian jurisdictions, approximately 60 per cent, or 64 residential care leavers in SA are expected to take up the extended support offer in a year and benefit.
- Dropping out of extended support early, before 21 years, still allows young people to realise measurable benefits.
- Additionally, introducing extended support today would unlock immediate value for 19- and 20-year-old residential care leavers who would otherwise receive no support.

A cost benefit analysis has been undertaken to assess the impacts of providing extended support to residential care leavers from the ages of 18 to 21.

- Building on previous work, Deloitte Access Economics has undertaken a cost-benefit analysis (CBA) on the socio-economic costs and benefits of providing extended support to residential care leavers in South Australia.
- In doing so, the following types of costs and benefits were quantified:

Costs



Extended support

Benefits



Housing



Contact with the justice system



Mental health



Education



Early parenthood



Smoking



Employment



Hospitalisation



Alcohol and drug dependency

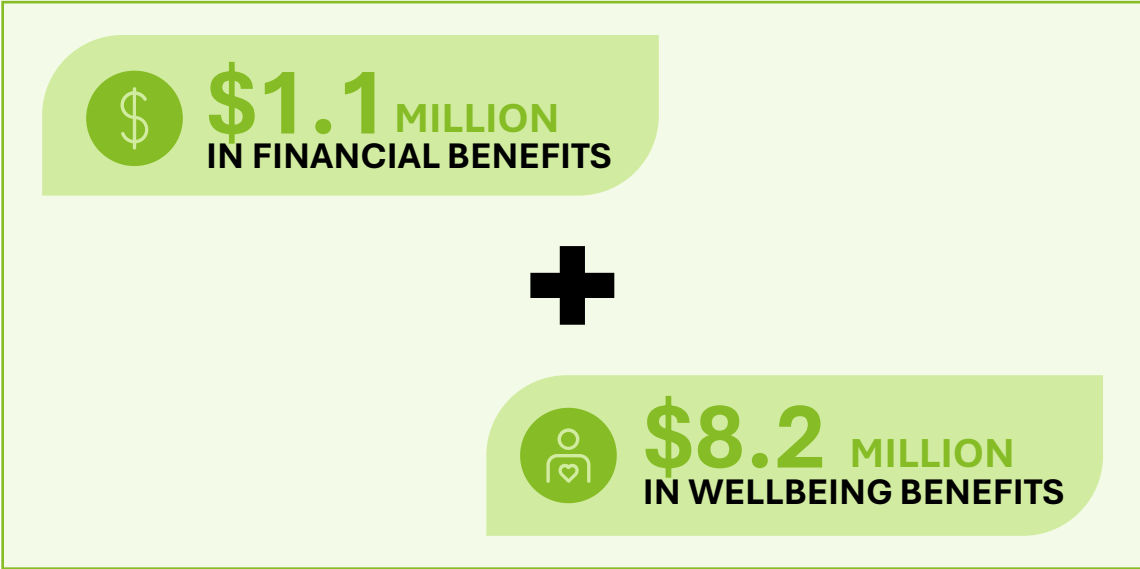
- For the purposes of the CBA, costs and benefits were modelled for one cohort of residential care leavers exiting care.

Results of the cost-benefit analysis

Providing extended support for residential care leavers in SA has the potential to yield approximately \$1.1 million in net financial benefits and \$8.2 million in wellbeing benefits, totalling a potential \$9.3 million over 40 years.

This analysis shows there are large potential benefits associated with providing extended support to residential care leavers in SA.

The impact of extended support for one cohort of residential care leavers in SA is estimated to deliver a potential net benefit over 40 years of:



These benefits include:

-  Avoided justice system costs
-  Increased lifetime income to care leavers
-  Reduced welfare costs to government
-  Reduced disease burden from mental health conditions
-  Avoided health system costs
-  Reduced disease burden from alcohol and drug use



Key takeaways and the role of the South Australian Government

Providing extended support for residential care leavers in SA would deliver a positive return to care leavers and government.

This CBA demonstrates that extended support for residential care leavers in SA has the potential to deliver a positive return overall.



The financial benefits to government are estimated to be approximately \$4.5 million over 40 years.

Care leavers would realise an additional \$600,000 in financial benefits, and \$8.2 million in wellbeing benefits over the 40-year time period.

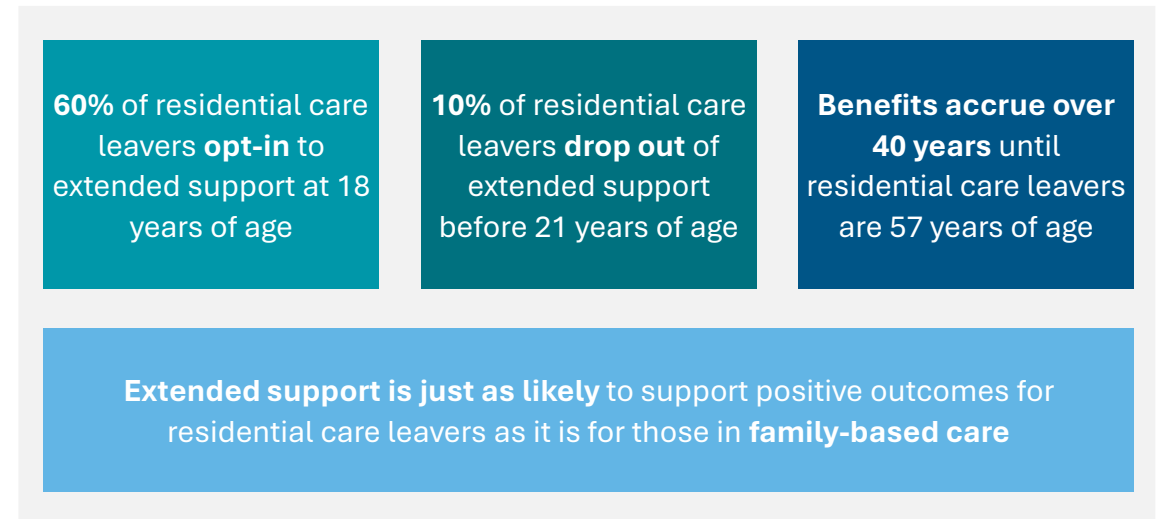
Chart 1: Distribution of financial benefits for extended support to SA residential care leavers



Source: Deloitte Access Economics.

This demonstrates a clear role for the South Australian Government in supporting residential care leavers.

The overall benefit estimated relies on a number of factors, including:



The probability of extended support in generating benefits and how long these benefits persist relies on the **sustained stability in early years of adulthood**.

The interrelated nature of outcomes across domains in this CBA such as housing, education, health and employment means that achievement of positive outcomes in one domain will likely strengthen the benefit realised in other domains.

Appendix A

Detailed CBA Method

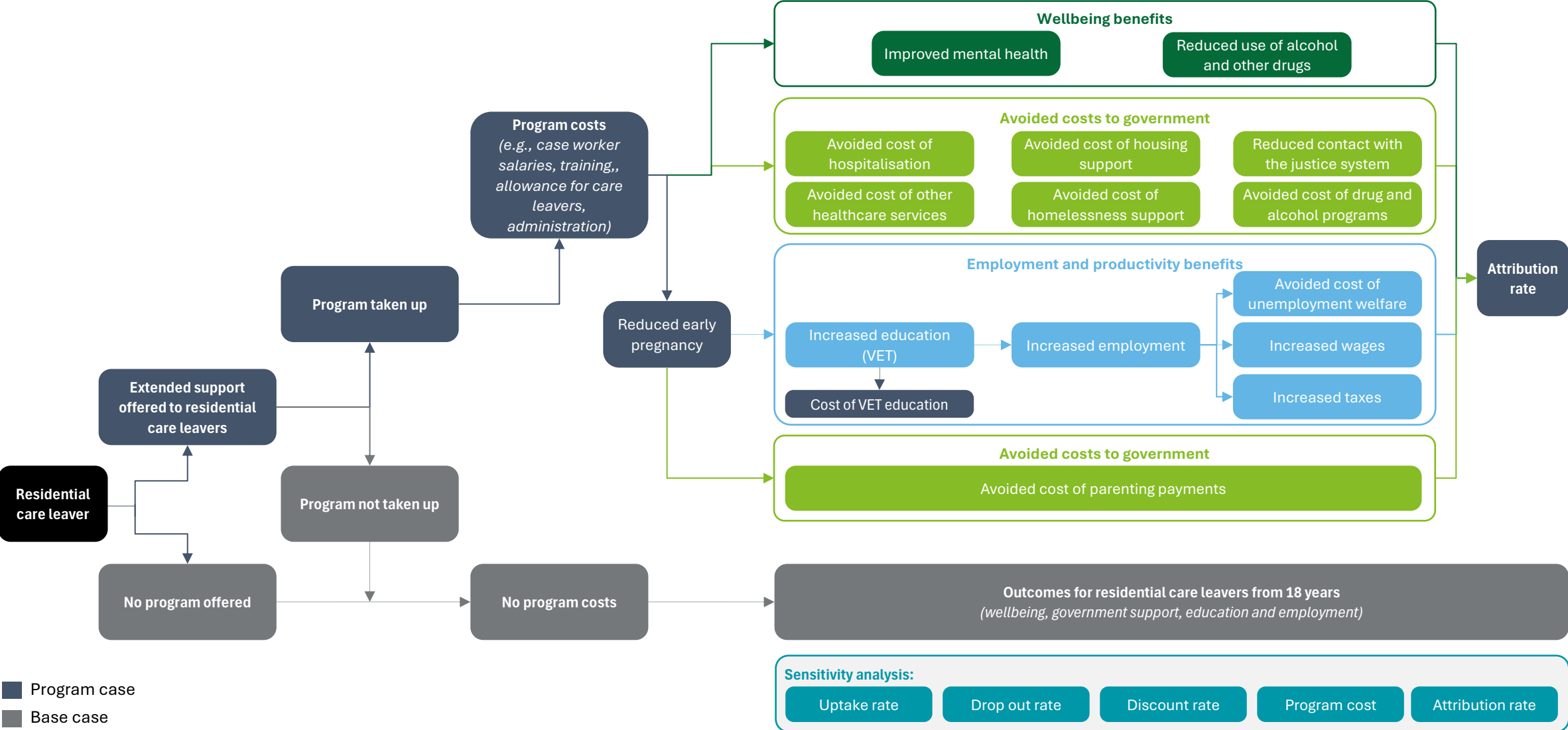
Overview of the CBA modelling approach

Breakdown of cost-benefit methodology, including distributional and sensitivity analysis.



CBA framework

Intervention logic for extending support from 18 to 21 years of age for residential care leavers in SA.



Key assumptions and inputs

The assumptions and inputs used in this CBA have been updated to align with previous methodologies used in the national CBA of extended support for care leavers.

This CBA aligns with the methodology and data sources used in the state and federal CBA of extended support for care leavers across Australia, undertaken by Deloitte Access Economics in 2018.¹ Where possible, inputs are updated from those used in 2018 to align with recent literature and policy settings in South Australia specifically. As in previous reports, costs and benefits are measured over a 40-year timeframe.

Number of residential care leavers in SA

The number of SA residential care leavers in one cohort eligible for extended support has been informed by BetterStart data. The number is sourced from 2023 figures due to significant volatility in growth rates overtime. It is assumed the uptake rate of extended support for this cohort is equal to the average uptake rate of extended support in other Australian jurisdictions. To acknowledge that some young people may exit (i.e., drop out) of extended support between the ages of 18 and 21, an attrition rate has been applied. The attrition rate at ages 19 and 20 used in this CBA is informed by a longitudinal study of extended support in the United States.²

Measuring the costs

The cost of extended support used in this model does not include accommodation supports. However, the cost of extending support used in 2018 and the associated literature demonstrating the impact of extended support included accommodation supports. To account for this, the benefits of extended support in this CBA have been adjusted using an attribution factor. This attribution factor is the share of benefits that would be directly attributable to an extended support initiative that does not include accommodation supports. This is derived using the relative ratio of costs with and without accommodation. That is, it is assumed the relative benefits associated with and without accommodation support is the same as the relative change as the cost of extended support with and without accommodation.

Table 3: Key inputs and assumptions used for cost and cohort modelling

Input/assumption	Value	Source
Number of residential care leavers in SA per year	108	BetterStart (BEBOLD dataset), The University of Adelaide
Cost of extended support for residential care leavers in SA	\$24,773	Data provided by Junction Australia and informed by Anglicare Victoria
Cost of one year of VET education	\$9,989	National Skills Commission (March 2021), <i>VET average price benchmarks: Findings from the national VET average price benchmark database</i> < https://www.jobsandskills.gov.au/sites/default/files/2021-12/FINAL%20VET%20average%20price%20benchmarks%20-%20ISBN%20978-1-76114-098-3.pdf >.
Uptake rate in year 1	59.6%	Average uptake taken from data provided by Anglicare Victoria on Home Stretch offers in other jurisdictions
Drop out rate	10.4%	Courtney, ME, Okpych, NJ, Park, K, et al. (2018), <i>Findings from the California Youth Transitions to Adulthood Study (CaLYOUTH): Conditions of youth at age 21</i> . Chicago, IL: Chapin Hall at the University of Chicago < https://www.chapinhall.org/wp-content/uploads/CY_YT_RE0518_1.pdf >.
Attribution rate (applied to benefits)	55.3%	Relative ratio of cost of extended support including and excluding accommodation support (cost data provided by Junction Australia)
Real discount rate	7.0%	The Office of Impact Analysis (2023), <i>Cost-benefit analysis guidance</i> < https://oia.pmc.gov.au/sites/default/files/2023-08/cost-benefit-analysis.pdf >.

1. Deloitte Access Economics (2018), *A federal and state cost-benefit analysis extending support to 21 years* (commissioned by Home Stretch) <https://thehomestretch.org.au/site/wp-content/uploads/2019/10/A-Federal-and-State-Cost-Benefit-Analysis-Extending-Care-to-21-years_Deloitte-Access-Economics.pdf>.

2. Courtney, ME, Okpych, NJ, Park, K, et al. (2018), *Findings from the California Youth Transitions to Adulthood Study (CaLYOUTH): Conditions of youth at age 21*. Chicago, IL: Chapin Hall at the University of Chicago <https://www.chapinhall.org/wp-content/uploads/CY_YT_RE0518_1.pdf>.

Key assumptions and inputs

A range of assumptions have been made to monetise the benefits of extended support for residential care leavers in SA.

Measuring the benefits

For some benefits, the outcomes without extended support (i.e., the base case) used in 2018 have been adjusted to align with available literature that demonstrates the relative outcomes of residential care leavers specifically compared to out-of-home-care leavers more broadly.¹ The annual avoided cost or benefit per person used to monetise these outcomes has been updated from 2018 using available data from the Australian Bureau of Statistics, Australian Institute of Health and Welfare, the Independent Health and Aged Care Pricing Authority and the Productivity Commission’s Report on Government Services. Monetary values are inflated to 2025 figures using historical inflation data. Future benefits are grown overtime at the rate of inflation derived from Deloitte Access Economics macroeconomic forecasts. Further, the quantification of wellbeing benefits is newly included in this CBA for SA residential care leavers, applying a burden of disease methodology.

Table 4: Key assumptions used to quantify the benefits of extended support for residential care leavers in SA

Benefit measure	Probability if left care at 18 years of age ⁺	Probability if left care at 21 years of age [^]	Type of benefit	Annual avoided cost/benefit per person
Housing and homelessness support required	37.7%	18.9%	Avoided system cost	\$12,943
Undertake post-school education*	4.5%	10.4%	Higher wage	\$12,300
Employment*	32.5%	34.1%	Avoided welfare cost	\$20,634
Early parenthood	16.6%	10.2%	Avoided welfare cost	\$28,005
Hospitalisation	41.6%	27.4%	Avoided system cost	\$9,123
Mental health illness – health system use	54.4%	30.1%	Avoided system cost	\$2,253
Interaction with the justice system	16.3%	10.4%	Avoided system cost	\$6,600
Alcohol and other drug dependence – health system use	15.8%	2.5%	Avoided system cost	\$5,678
Smoking – health system use	56.8%	24.9%	Avoided system cost	\$4,486
Wellbeing benefits associated with reduced severity of mental health conditions	54.4%	30.1%	Avoided burden of disease	\$41,937
Wellbeing benefits associated with reduced alcohol and other drug use	15.8%	2.5%	Avoided burden of disease	\$35,102

Source: Deloitte Access Economics, based on multiple sources, including verification from BetterStart.

⁺Probability of outcomes at 18 years are updated where possible using the BetterStart [Eligibility for a care leavers program: Supporting social impact investment in South Australia](#) report.

[^]The probability of outcomes associated with leaving care at 21 years of age is calculated according to the relative effectiveness of extended support applied in the 2018 state and federal CBA for extended support and is Cal YOUTH tapered according to the attribution rate.

*Education and employment benefits are modelled using the likelihood that a care leaver will not enter early parenthood and undertake post-school education. Employment benefits are adjusted for the probability that a care leaver becomes employed with or without post-school education.

CBA results

Extended support has the potential to yield approximately \$1.1 million in net financial benefits and an additional \$8.2 million in wellbeing benefits over 40 years for one cohort of residential care leavers in SA .

The results of the CBA for extended support for residential care leavers in SA are summarised in Table 1.

With an uptake rate of 60 per cent in year one and the inclusion of financial benefits (i.e., avoided costs to systems) over 40 years, the **benefit-cost ratio of extended support for residential care leavers in SA is estimated to be approximately 1.27**. For every dollar invested in the program, there would be approximately \$0.27 in net return, delivering a net benefit.

Providing extended support to one cohort of residential care leavers in SA, would deliver a **net benefit of approximately \$1.1 million in financial benefits**. At a per-person level, this equates to a net benefit of approximately **\$17,000 on average per care leaver** (Table 2).

When including wellbeing benefits for care leavers associated with a reduction in the severity of mental health illness and alcohol and other drug use, the **benefit-cost ratio could be as high as 3.25**. This would generate a **net benefit of approximately \$9.3 million** over 40 years or approximately **\$144,000 on average per care leaver**.

The Commonwealth Government would realise approximately 50 per cent of the financial benefits, closely followed by the South Australian Government at approximately 39 per cent.

The inclusion of wellbeing benefits demonstrates the significant impact of improving care leavers' wellbeing and quality of life over their lifetime, accounting for approximately 60 per cent of the total potential benefits (Chart 2).

Table 1: Extended support for residential care leavers in SA CBA results, present value 2025-dollar terms (\$ millions)

Total impact (present value)	Financial benefits only	Financial and wellbeing benefits
Cost	4.13	4.13
Benefit	5.25	13.43
Net benefit	1.12	9.30
Benefit-cost ratio	1.27	3.25

Source: Deloitte Access Economics.

Table 2: Extended support for residential care leavers in SA CBA results per care leaver, present value 2025-dollar terms (\$)

Impact per care leaver (present value)	Financial benefits only	Financial and wellbeing benefits
Cost per care leaver*	64,187	64,187
Benefit per care leaver	81,509	208,538
Net benefit per care leaver	17,322	144,352

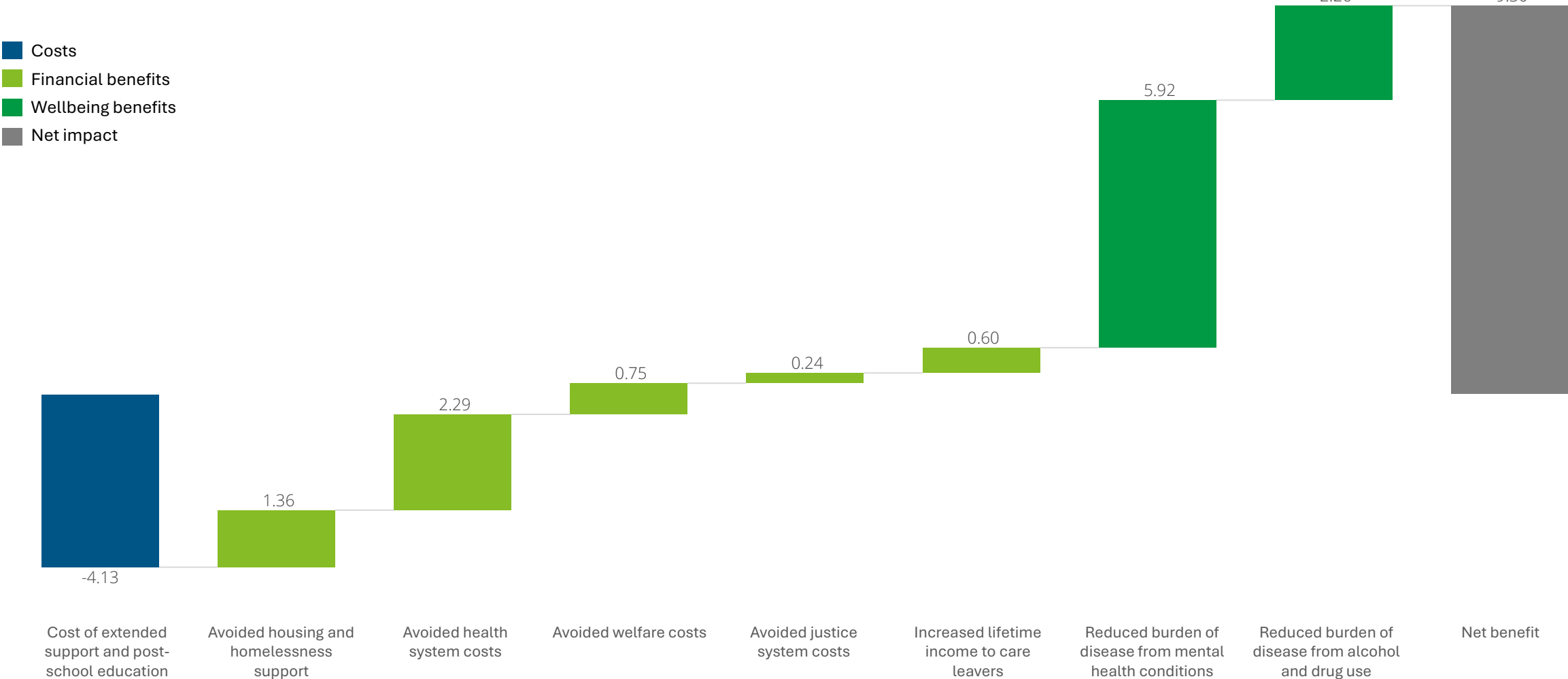
Source: Deloitte Access Economics.

*Note: Cost per participant reflects an average cost for participants who participate for 1,2 or 3 years of extended support, given the estimated attrition rate of the program.

CBA results

Wellbeing benefits generate majority of the net impact of extended support when compared to financial benefits.

Chart 2: Net impact of extended support for residential care leavers in SA by cost/benefit category, present value 2025-dollar terms (\$ millions)



Source: Deloitte Access Economics.
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Sensitivity analysis

Sensitivity analysis indicates that the results are highly sensitive to the costs and attribution rate applied to the benefits.

Sensitivity analysis was undertaken to gauge the feasible range of results given uncertainty surrounding the following inputs:

- **Real discount rate** (in addition to the 7 per cent central scenario, 3 and 10 per cent): the results of the analysis are sensitive to the discount rate. In all three scenarios tested, the BCR remains positive. However, given the 40-year benefits persistence period, decreasing the real discount rate allows the future benefits to be relatively more valuable increasing the present value benefits. The costs are less sensitive given they take place over a shorter period of 3 years.
- **costs and associated benefits attribution** (in addition to the central scenario, a scenario where housing support is provided and where higher cost option (also with housing support) is provided)
 - this CBA draws on literature evaluating interventions that include housing support. The central scenario in this analysis is modelled on an extended support offering that excludes housing support and is therefore less costly than comparable programs. To maintain consistency, the expected benefits in the central scenario have been scaled down proportionately to the change in costs. This reflects that less intensive support is likely to generate lower benefits.
 - detailed analysis on the influence of housing support on outcomes, specifically its effectiveness and associated benefits, was outside the scope of this engagement. This represents a limitation of this analysis as, in practice, housing support may contribute a greater share of total benefits.
 - in this sensitivity analysis, where other cost inputs have been incorporated that do include housing support no benefits scaling adjustment has been applied
 - the results of this CBA are highly sensitive to these assumptions. In the scenario where an option with housing support has been applied, both costs and benefits have been scaled proportionately resulting in a BCR that remains consistent with the central scenario, even though the absolute value of the net benefits is lower. Conversely, under the higher-cost scenario (also with housing support) there is an increase in costs while benefits remain unchanged, leading to a material lower BCR.

Table 3: Results from sensitivity analysis (\$ '000s)

Sensitivity analysis			
Discount rate	3%	7% (central)	10%
Costs	4.28	4.13	4.03
Benefits	21.05	13.43	10.59
NPV	16.77	9.30	6.56
BCR	4.92	3.25	2.63
Costs and benefits attribution	Extended support with housing support (\$45k) and no attribution rate	Extended support without housing support (\$25k) and 55% attribution rate applied to benefits (central)	Higher cost extended support with housing support (\$100k) and no attribution rate
Costs	7.44	4.13	16.42
Benefits	24.27	13.43	24.27
NPV	16.83	9.30	7.85
BCR	3.26	3.25	1.48

Source: Deloitte Access Economics.

Sensitivity analysis was also undertaken on the following variables however, the results were not found to be sensitive to these assumptions:

- uptake rate
- program drop out rate



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