

Australian National Aged Care Classification (AN-ACC)

The Government is considering a new approach to funding residential aged care. The AN-ACC, derived from the University of Wollongong's Resource Utilisation and Classification Study (RUCS), is the proposed new funding model for residential aged care. The AN-ACC model is based on statistical evidence on what drives relative care costs and has an evidence based methodology for determining funding increases.

The RUCS recommended the introduction of a blended payment model made up of three components (fixed, variable (case mix) and one-off adjustment payment). The proposed model builds upon the national Activity Based Funding model used in Australian public hospitals and applies elements that are relevant to residential aged care. This includes a branching classification system, regular costing studies to inform price and the setting of National Weighted Activity Units (NWAUs). The NWAU is the 'currency' used to express the price weights for each classification category (both fixed and variable). Recommendation 24 of the RUCS Report 6 also called for an annual costing study to inform the price of the NWAU.

It is proposed that the total funding for each facility is calculated based on the relative costs of providing care (both individual care and shared care) expressed in terms of the NWAU. The NWAU represents cost relativities between classes and allows a single price to be set across all care activities.

The AN-ACC model is designed to measure activity as a day of care for each resident, which consists of a fixed component (weighted by the location (remoteness), size (number of beds) and specialisation of the facility) and a variable component (weighted by the care needs of the resident).

It is proposed that a price will be set for a representative day of care (as measured by a NWAU of 1.00). Once the price has been set, all prices in the AN-ACC model will be determined relative to this unit.

The price will determine:

- the amount of care funding a facility will receive to provide residential aged care (including basic subsidy and care supplements); and
- the average cost of providing care by resident type and facility characteristics.

The use of an annual costing study to determine the NWAU of 1.00 each year will replace the current system of annual indexation of subsidies based on WCI9.

The AN-ACC model recognises that the cost of delivering services does not remain static. Costing studies can capture changes and the cost of delivering care, both relative to changes in input costs and the way in which care is delivered.

Currently the Department does not collect cost data at the granularity needed to inform the annual costing studies. Cost data collected via the ACFR is at the approved provider and/or residential segment level. There are also limitations in demarcating between care and hotel costs at the staff level (for example personal care workers/registered nurses who provide both care and hoteling services) and the level at which labour costs are reported (separating clinical and non-clinical staff wages and labour costs).

To support annual costing studies, the Department requires:

- data at the residential service/facility level, as providers operate facilities across multiple base care tariff locations and specialities;
- more clarity around wages and labour costs; and
- better separation of care costs from other costs.