



**Australian Government**

**Department of Health**

# **Submission to the Inquiry into the Aged Care Amendment (Aged Care Recipient Classification) Bill 2020**

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**November 2020**

## Introduction and Overview

The Government has been examining options for a new residential care funding classification tool to replace the existing Aged Care Funding Instrument (ACFI). The Aged Care Amendment (Aged Care Recipient Classification) Bill 2020 (the bill) amends the *Aged Care Act 1997* (the Act) to allow all aged care residents to be assessed under a new classification tool – this will allow assessment and classification under the proposed Australian National Aged Care Classification (AN-ACC). This new tool was recommended by the University of Wollongong following detailed analysis undertaken in the University’s Resource Utilisation and Classification study.

The bill provides only for the assessment and classification of residents into classes under the AN-ACC tool – it does not change funding for providers. The assessment and classification under AN-ACC is expected to take place for approximately 12 months commencing in the first half of 2021, in the nature of a ‘shadow assessment’ period. During this period the actual funding paid to providers will continue to be determined using the current ACFI tool and processes.

The ‘shadow assessment’ year and the collection of AN-ACC assessment information is an important step in the reform process, which will demonstrate what AN-ACC will do in practice and, pending final decisions of government, allow for a seamless transition to a case mix funding model.

Progressing this legislation now will enable a new classification system to be introduced in a timely manner.

Given the need to recruit and train assessors, it is important the bill passes before the end of 2020 to allow the Department to enter into contracts with assessment organisations in preparation for assessments to begin in the first half of 2021.

The Government will consider the potential commencement date for AN-ACC and details of funding arrangements after consideration of the Royal Commission into Aged Care Quality and Safety’s (the Royal Commission) final report due in February 2021. The Department of Health (the Department) notes Counsel Assisting the Royal Commission recommended to commissioners a case mix funding system such as AN-ACC commence from 1 July 2022.

## Background

### *The need for funding reform*

Australian Government expenditure on residential aged care subsidies and supplements totalled \$13.4 billion in 2019/20, of which \$12.4 billion comprised payments made under the Aged Care Funding Instrument (ACFI). The residual amounts represent accommodation support for low means residents and a range of other smaller subsidies and supplements.

The Government has been examining options for a new funding tool and system to replace the ACFI. The arguments for a new funding tool and system were summarised in the independent Aged Care Financing Authority's 2018 Annual Report which stated:

'there is a need for a more stable, more contemporary, more efficient and more effective funding tool and system which provides greater financial stability to both the residential aged care sector and the Government

ACFA considers the current ACFI tool may also suffer from no longer being contemporary (such as incentivising certain, sometimes outdated, types and modes of care delivery), it could encourage inefficiencies (through providers focusing limited resources on ACFI claiming) and appears to lack stability (with a history of cycles of high growth followed by low or no growth as higher than expected provider claiming leads to Government taking measures to reduce funding growth rates back to estimated levels).

ACFA considers that a key element of any reform package should be a tool that accurately and objectively assesses the funding needs of residents.

A more efficient Government funding system would allow provider assessment resources to be devoted to assessment for care planning purposes. A more contemporary system would support delivery of the right types of care. A more stable system would provide greater certainty on funding levels for government, providers and investors, establishing a system that encourages investment in the sector to meet future demographic challenges as demand for aged care grows.'

### ***The Resource Utilisation and Classification Study***

The Department commissioned Australian Health Services Research Institute (AHSRI) at the University of Wollongong to undertake the RUCS to identify and measure the drivers of resource/cost utilisation in residential aged care and develop and test a fixed variable funding model. This study was essential to develop a sound empirical evidence base on drivers of relative care costs in residential aged care, at the resident and facility level, to help inform Government consideration of reform options and in the development and design of a new funding model.

The overall aims of the RUCS were to:

- identify clinical and need characteristics of aged care residents that influence the cost of care (cost drivers);
- identify the proportion of care costs shared across residents (shared costs) relative to costs related to an individual's needs (variable costs);
- develop a casemix classification based on identified costs drivers that can underpin a funding model that recognises shared and variable costs; and
- undertake an initial feasibility test of implementing the recommended classification and funding model across the Australian residential aged care sector.

The university provided seven detailed reports on the study, including recommendations – all of the reports are available for download from the Department of Health website at <https://www.health.gov.au/resources/publications/resource-utilisation-and-classification-study-rucs-reports>

### ***The AN-ACC Trial***

On 10 February 2019, the Prime Minister announced a \$4.6 million trial of the AN-ACC assessment model.

The purpose of the trial was to:

- collect data to validate the expected distribution of care recipient classifications under the AN-ACC, as compared to the findings of the RUCS; and
- field test the performance of:
  - the **AN-ACC assessment tool**, which when administered produces residential aged care recipient functional status data required to calculate AN-ACC classification levels for individuals;
  - **an independent assessment workforce** trained to administer the tool; and
  - the **training, clinical and IT supports** developed to equip assessors undertake assessments.

The trial demonstrated that the AN-ACC assessment model is fit-for-purpose, nationally scalable and costs less on a per-assessment basis than was anticipated when the RUCS was completed. The full report on the trial is available on the Department of Health website <https://www.health.gov.au/resources/publications/report-on-the-trial-of-the-australian-national-aged-care-classification-an-acc>

### ***AN-ACC ‘Shadow Assessment’***

As part of the 2020-21 Budget, the Government announced it would provide preparatory funding of \$91.6 million to support AN-ACC’s potential implementation.

This preparatory work will ensure the Government is poised to respond to the recommendations from the Royal Commission next year, and includes undertaking one year of ‘shadow assessment’ starting in the first half of 2021. During this year of shadow assessment, all residents will be assessed by an independent assessor using the AN-ACC assessment tools.

During this period, funding will continue to be provided through the existing ACFI.

## **The Aged Care Amendment (Aged Care Recipient Classification) Bill 2020**

The Aged Care Amendment (Aged Care Recipient Classification) Bill 2020 (the bill) amends the Act to introduce an additional, discretionary procedure for classification of recipients of residential aged care and some kinds of flexible care.

Amendments to the Act are required to:

- support assessment by independent assessors (which includes, for example, requiring aged care facilities to allow entry and provide assistance with records etc.); and
- use the AN-ACC tools to assign individuals to a class.

This will enable the government, in the context of a response to the findings of the Royal Commission, to quickly and seamlessly transition funding from the outdated ACFI to the proposed AN-ACC.

Legislation was not required for the AN-ACC trial because all trial assessments were completely voluntary, and required the agreement of the aged care facility (to allow assessors to enter the facility) and the resident (to consent to the assessment taking place).

In order to prepare for the potential introduction of a new funding model for residential aged care, the bill inserts a new Part 2.4A ('Classification of care recipients on Secretary's initiative') to empower the Secretary of the Department of Health to assess, at their own initiative, the relative care needs of care recipients using a new assessment tool. This will enable the Secretary to classify care recipients into new classification levels based on the assessment results. The bill will also make consequential amendments to other parts of the Act to enable the Secretary to exercise the powers in Part 2.4A.

These amendments allow a new classification using the AN-ACC tool to be determined for the entire residential aged care population commencing in the first half of 2021, without affecting how subsidies for providers is calculated. The process of classifying all existing residents under the AN-ACC tool is expected to take approximately 12 months.

During this time, the existing mandatory procedure for classification of care recipients in Part 2.4 of the Act, using ACFI, and its role in determining residential care subsidy will also continue to operate.

All AN-ACC assessment data is 'protected information' under the Act and will be collected confidentially and stored securely.

Assessors will enter AN-ACC assessment data into a dedicated assessment application designed specifically for this purpose by the Department. The application was field-tested during the AN-ACC trial, and found to be fit-for-purpose, and can only be accessed by trained AN-ACC assessors.

Once an assessment is completed, the application will securely upload assessment information to the My Aged Care IT system, where it will be added to the client's record alongside existing information including the resident's ACFI scores.

Given the need to recruit and train assessors, it is important that the Bill passes before the end of 2020 to allow the Department to enter into contracts with assessment organisations in preparation for assessments to begin in the first half of 2021.

The 'shadow assessment' year and the collection of AN-ACC assessment information is an important step in the reform process, which will demonstrate what the AN-ACC tool will do in practice.