

# A new era in aged care funding

AN-ACC CEO Survey  
February 2022

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## Executive Summary

The introduction of a new funding mechanism is a significant event for both aged care operators and the Department of Health. It brings widespread changes to technology, workforce, process, and documentation. The Australian National Aged Care Classification (AN-ACC) will replace the Aged Care Funding Instrument (ACFI) on 1 October 2022.

The Royal Commission into Aged Care Quality and Safety (The Royal Commission) was watched closely by the industry and most providers expected the reform agenda to bring further change. Many however are still adjusting to the numerous changes to standards and reporting requirements brought in over the last two years. One CEO told us in our interviews that “business as usual has not been present in aged care for some time”.

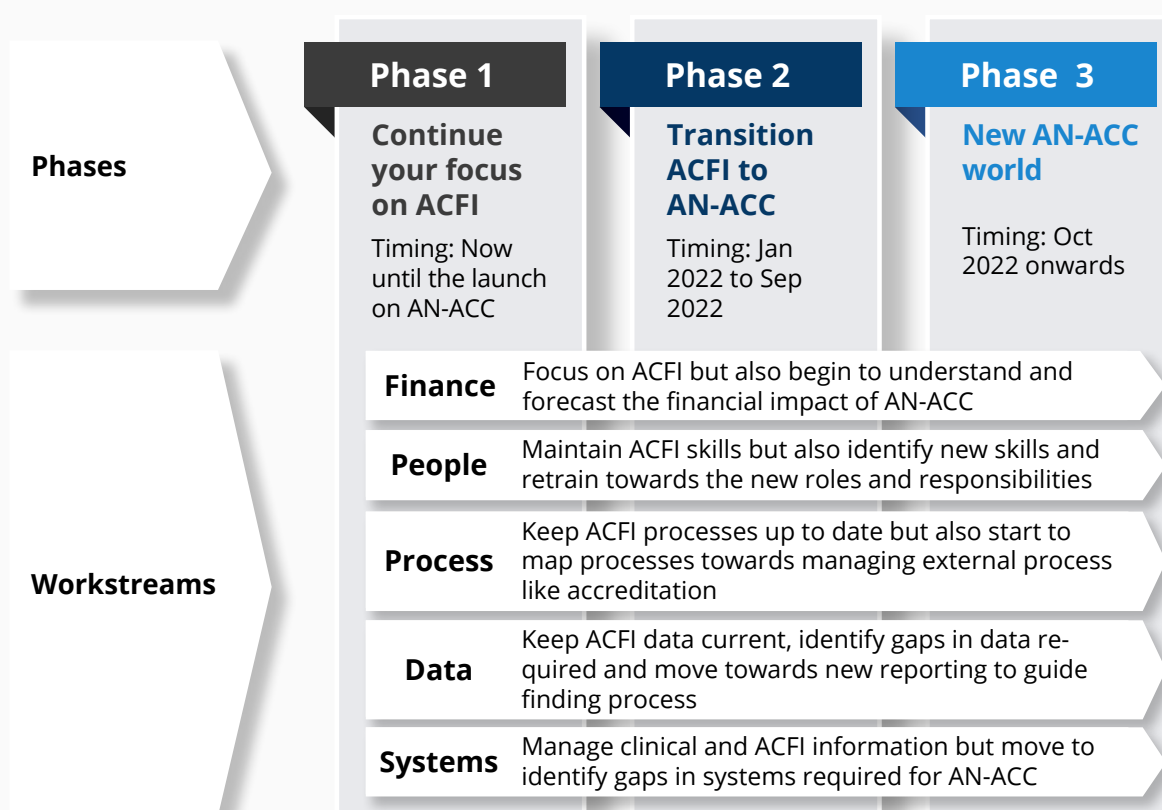
Mirus Australia has been dedicated to the aged care industry for more than a decade. After having scores of conversations with providers around the AN-ACC changes over the last six months, we decided to embark on this AN-ACC CEO survey to formalise some of the views gathered. The insight from almost 20 formal interviews combined with other client conversations we have conducted over the past six months have been synthesised into the findings of this report. The CEOs we surveyed represent a cross-section of the industry: big and small, for profit and mission-based and across geographies, east, west, metropolitan and regional. They represent approximately 22,000 beds or 10 percent of the industry.



What we heard from the formal interviews correlated perfectly to our anecdotal feedback. There was a mix of consistent and expected themes together with some thought-provoking insights on the nuances that come with unique providers in their own stages of the journey. We framed our survey around a transition pathway model that Mirus developed to support all providers to structure their approach to the required changes.

The [Mirus ACFI to AN-ACC Pathway](#) (MAAP), below) is readily available on our website as a diagnostic tool to help providers begin their own planning process. It centres around the five workstreams of finance, people, process, data and systems.

## Mirus ACFI to AN-ACC Pathway (MAAP)





The summary of the overall findings can be provided in four key insight areas:

### 1. Preparedness:

There is a low level of preparedness for AN-ACC at this stage partly facing the sector due to other significant issues and partly due to a perceived lack of information. ***"AN-ACC will link to everything else, if you don't get it right, it will have wide impacts"***. 70% of those interviewed said they had not begun preparations for AN-ACC changes.

### 2. Financial:

Concerns about the budgetary impact varied depending on knowledge of AN-ACC. ***"We are watching with interest and [we are] not confident in the revenue side of the equation"***. 69% of those interviewed said they were concerned or very concerned about maintaining current funding levels under AN-ACC.

**70%** have not begun to prepare for AN-ACC.

**69%** are concerned about maintaining current funding levels.

### 3. Planning:

The impact of the changes that affect 'people' and 'process' relate mostly to the scale of the business and nature of those working in aged care. ***"Clinicians are hard to change, that may take a while"***. Only 19% of those interviewed had made any progress on planning for new processes.

### 4. Technology:

Challenges relating to 'systems' and 'data' were seen as ***"out of our hands"***. Confidence in the ability of technology providers to meet the required deadlines was also low as respondents felt that this was also out of the vendors' hands. ***"It's not a priority because we need to focus on things we can control"***. Only 25% of those interviewed felt that the required changes to their systems are being planned for.

**19%** have made progress on planning.

**25%** said the required system changes are being planned for.



The detail and discussion of these summary findings are contained in this report. There are interesting insights around the challenges of smaller operators over larger ones, changing skills requirements or new roles under AN-ACC, and opportunities to integrate and outsource some activities that are not available under ACFI today.

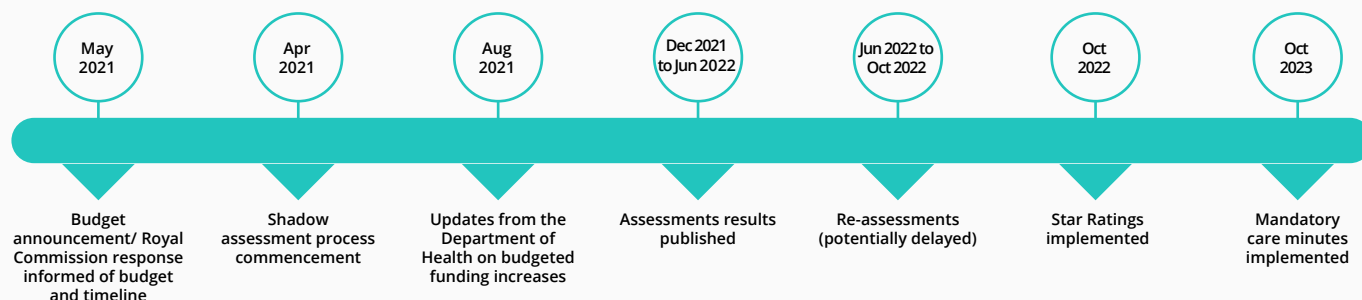
While the interviews and insights have been gathered from only a sample of senior executives across the industry, the majority of the sentiments do reflect the conversations we are having with the majority of our clients.

**Andrew Farmer, CEO  
Mirus Australia**

# Introduction

The changes that AN-ACC will bring have been telegraphed for some time but a pivotal moment in the transition timeline occurred during the Federal Budget announcements in May 2021. In this announcement, there was not only a commitment to funding many of the required components for the transition (such as the shadow assessment process) but most importantly the confirmation of a target changeover date of 1 October 2022.

## AN-ACC transition timeline



Since this announcement, there have been further updates to advise the industry of some key processes and deadlines. Probably the most significant was the timing, legislation, and process for the shadow assessments. This process would give providers first-hand experience of the external assessment process and are to be shared with providers soon. The shadow assessment of all aged care residents would enable a clean changeover with no grandparenting of ACFI required. It was proposed that a three-phase process would begin with assessing the majority of current residents and publishing the results to providers, and then two follow-up phases would assess any new or missed residents and allow for reassessment of any classifications.

The next key milestone will be the passing of required legislation to govern the process and facilitate payments under the new funding system. This legislation is currently before the Parliament and this approval is critical to meet the 1 October 2022 start date. A crucial aspect of this legislation is that it will enable the completion of the new AN-ACC payments systems by Services Australia.

Whether the changeover does take place in October 2022 or soon after, there is not a great deal of time for the industry to transition. There will be many small to medium impacts on most aged care providers and this volume of change across so many areas is often all-consuming. Specifically, the changes will affect funding which in turn will influence rosters (care minutes). Together with star ratings, which are affected by admissions, there will be a significant impact on quality. This will be playing out against a backdrop of the continued need to respond to the pandemic, chronic staff shortages and much more.

There is a pathway forward, but the industry has much to learn together as the transition to AN-ACC ushers in a new era of integrated performance data across the business. All of this, we hope, is in aid of a more sustainable financial operation and therefore better funding of care for our residents.

# Key findings

The aged care industry has faced enormous challenges in recent years. The COVID-19 pandemic affected operations, workforce, and financial performance. It is no surprise that providers are struggling to find the resources or time to prepare for AN-ACC.

**AN-ACC ranks in the top 3 priorities behind COVID-19 and workforce**

Our survey analysis found that 70% of participants have not begun to prepare for AN-ACC and this is consistent with our experience across the industry. Most of the providers we speak to have not had the time to understand the detail that is available for AN-ACC, let alone to begin planning for the impacts on their business operations.

## AN-ACC ranks in the 'top 3' priorities

In terms of priority, most respondents said that AN-ACC was amongst their top priorities (usually top two or three), but it could not be placed higher than COVID-19 and workforce. There were several supporting reasons offered for this which included that it was kept "back of mind" and that the information available was not enough to act on decisively. Other priorities mentioned included:

- Risk
- Royal Commission
- Business transformation
- Consumer-directed care
- Compliance; and
- Procedural work.

Participants commented that ideally AN-ACC would be more highly prioritised. With the current operating challenges as well as a lack of certainty around AN-ACC, it was difficult to focus on any earlier than now.



### Providers are maintaining focus on ACFI

A key element of the transition will be continuing to focus on ACFI until the changeover date. In fact, there will be a need to focus on ACFI beyond October 2022 with ongoing claims for the period leading up to the changeover date and the potential for validation of these claims beyond that date.

75% respondents were confident in their ability to maintain their focus on ACFI. Some of this optimism comes from confidence in existing teams, leaders, and business structure. There were concerns with the limited ability to improve funding and the potential loss of ACFI staff (reduction of staff) either to other roles or to the general fatigue affecting the industry. Also, with ongoing struggles and lack of confidence from COVID-19, care must be prioritised and often other business processes including ACFI and Quality reporting can suffer.

The majority of respondents told us they are eager to retain their experienced ACFI staff because of the investment required to understand ACFI. However, there is concern that it will take a considerable amount of time to re-train these staff to understand requirements under AN-ACC.

### Little or no preparation in place for AN-ACC

Over the last six months the industry has been on a steep learning curve with AN-ACC. Very few in the industry were close enough to the working groups to have much practical understanding and most were busy and distracted in recent months with a complex operating environment. The findings of our survey supported this with almost 70% considering themselves to have done little or nothing to prepare for the AN-ACC changes.

Some in the industry will point to significant competing priorities but there was a common theme that there is not enough certainty around AN-ACC right now to make big plans and movements. As one respondent put it,

***“It’s all still fairly foreign and we are working through it blindly”.***

Whichever way you look at it, there is a great deal of change underway, which is driving up operating costs and testing the resolve of staff at all levels. We are seeing the largest exodus of management and experienced staff from the industry in years and at least some of this should be attributed to change fatigue.

Almost all respondents had engaged with their Board and had begun discussions at the executive level. Many are waiting on clearer instructions, something like a “user guide”, to give certainty before moving forward. Less than a quarter had dedicated AN-ACC teams in place or had begun any planning or training.

**70%** have done little or nothing to prepare for AN-ACC.





## Readiness and preparedness for AN-ACC

Participants were asked to nominate which of the following five areas they believed would pose the biggest transition impact on their organisation:

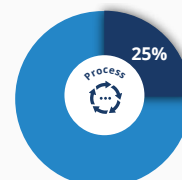
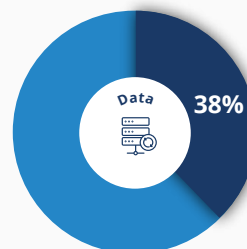
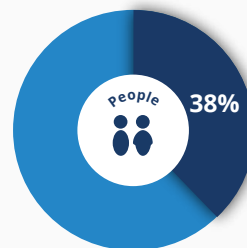
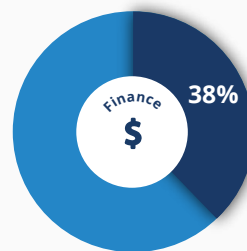
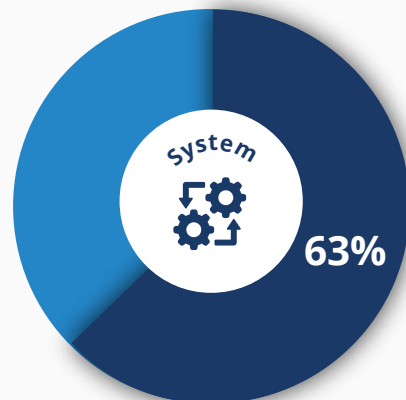
- Finance
- People
- Process
- Data
- Systems.

Systems were seen to have the greatest emphasis with 63% of the respondents rating this highly.

What isn't immediately obvious from this data is the difference between large and smaller organisations. Large organisations tend to have more complex technology environments but also more resources, more investment, and support from vendors. They were therefore less concerned about systems in general and more concerned about people and process and the scale of this change.

The small-to-medium organisations, who have less scale in their staff and processes, felt they had good people who could adapt more easily and so systems rated as their biggest concern.

Process was also deprioritised somewhat because of the expectation that the external assessment process under AN-ACC would be more straightforward when compared to the process and documentation-heavy ACFI model.





**Significant concern that funding and cost levels will not be maintained**

## Financial

We asked CEOs how confident they were that their funding would be maintained under the new model.

There was concern amongst the respondents that they were unable to model with any certainty without the results from the shadow assessments. Some who have built up a strong performance in ACFI over the years were also concerned about being disadvantaged as the transition would put them back to square one on the learning process. One respondent commented,

***“I feel like if you are a good operator, you are going to get penalised”.***

69% of respondents were concerned about the financial impact because many are already operating with relatively lean margins. One respondent commented that

***“Most providers don’t have the luxury of going into a revenue slump”.***

There is also widespread hope amongst providers that the change in the model will more accurately reflect the funding required to cover their operations. One respondent commented,

***“I would love it if AN-ACC would cover the ‘true’ cost of care”.***

The industry has adjusted to ACFI over the years, and they will adjust to AN-ACC as well. The key question is what will be the impact of any period of inefficiency in the funding process? We know from previous funding model transitions that there is a sustained period of learning (and flat funding) after any model change. Will AN-ACC be any different? Refer to **Figure 1** on page 11.

**69%** of respondents were concerned about maintaining their funding under AN-ACC.

**63%** believed that their costs would increase in some areas because of AN-ACC.

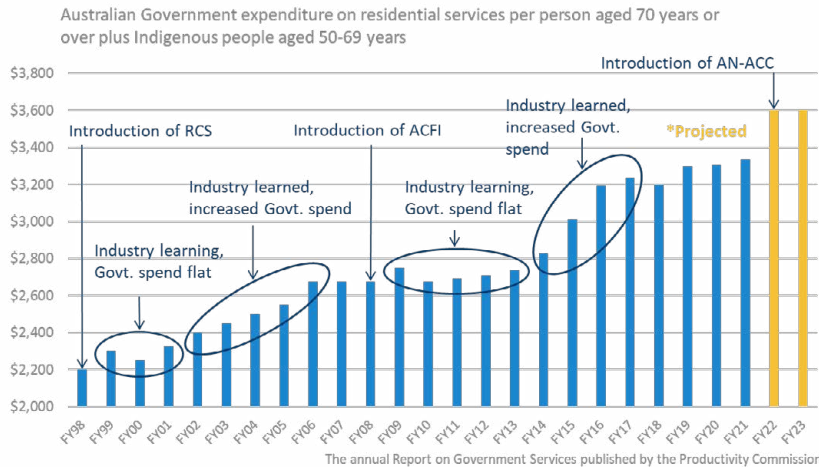


Figure 1

### The impact of changing funding models

The focus on financial impacts will intensify as organisations head into a FY23 budgeting process. The change to AN-ACC will almost certainly happen in the next financial year and therefore the modelling and budget assumptions cannot be ignored. Some providers will continue to estimate based on ACFI and some may make other educated guesses. Ideally, operators will be able to model their data sufficiently to set a good plan for the next financial year.

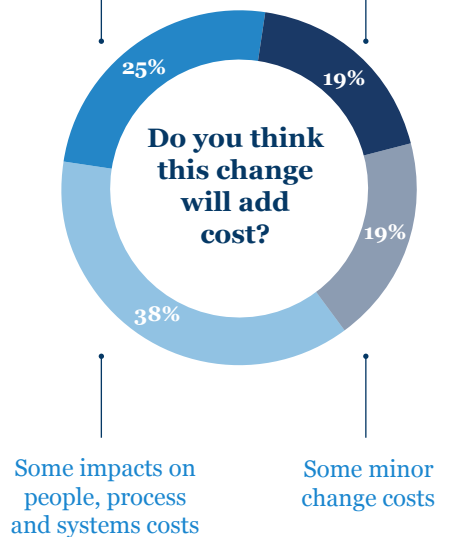
### The impact on costs

The other financial component discussed was cost. All the respondents agreed that there would clearly be additional costs incurred as part of the transition. These costs could come in a variety of areas including training, change management, systems, and potentially resourcing adjustments. In terms of the ongoing costs of managing AN-ACC compared to ACFI, 63% expected there would be more than minor increases in some costs, but it was hard to say to what extent this would be offset by other savings (e.g., from external assessment processes).

**63%** expect there to be increases in costs across business areas.

Impacts across the business in many areas

Not considered





**Confidence  
in people but  
new skills and  
significant  
training required**

## People

The people questions in the survey focused on the transition of ACFI resources and the need to retrain care staff to think about the funding of care in a new way. As one respondent put it,

***“We hope that a good care plan will be enough to support good funding”.***

However, another respondent said

***“Any funding model will need internal knowledge to optimise it”.***

Providers are still wrestling with the impact of an externally assessed process, particularly the larger providers with large dedicated ACFI teams. Some providers are already considering options such as more “on demand” models for AN-ACC support and training. These can be provided by external partners rather than being maintained in-house.

Many providers are confident in keeping their capable ACFI-trained staff and redeploying any experienced staff with clinical backgrounds. As one respondent put it

***“The majority of our ACFI staff are RNs who are worth their weight in gold”.***

Some respondents said they were considering the changing skillsets that may be required. In particular, there will be a need for increased financial analytics skills to interpret trends in AN-ACC funding and how these directly affect minimum care minutes and rosters. These care minute requirements are case mix adjusted as an average of the mix of residents in each facility. This will therefore change with every new or departing resident and every change in assessed resident classification as care requirements increase.



The other skillset identified is the ability to communicate and build relationships with the Department of Health. The ability to challenge the assessment and reassessment process will become greater. As one respondent said,

***“Liaison with government will be a new skillset for funding managers”.***

Some respondents also discussed the possibility that the new AN-ACC world will bring changes to Enterprise Bargaining Agreements (EBAs) and industrial relations generally for the sector. Although these changes may be small, they will be widespread as there will be new requirements and expectations of workforce flexibility and the ability to comply with dynamic minimum minute requirements.

**70%** of respondents  
believed they would require  
significant training for  
AN-ACC.



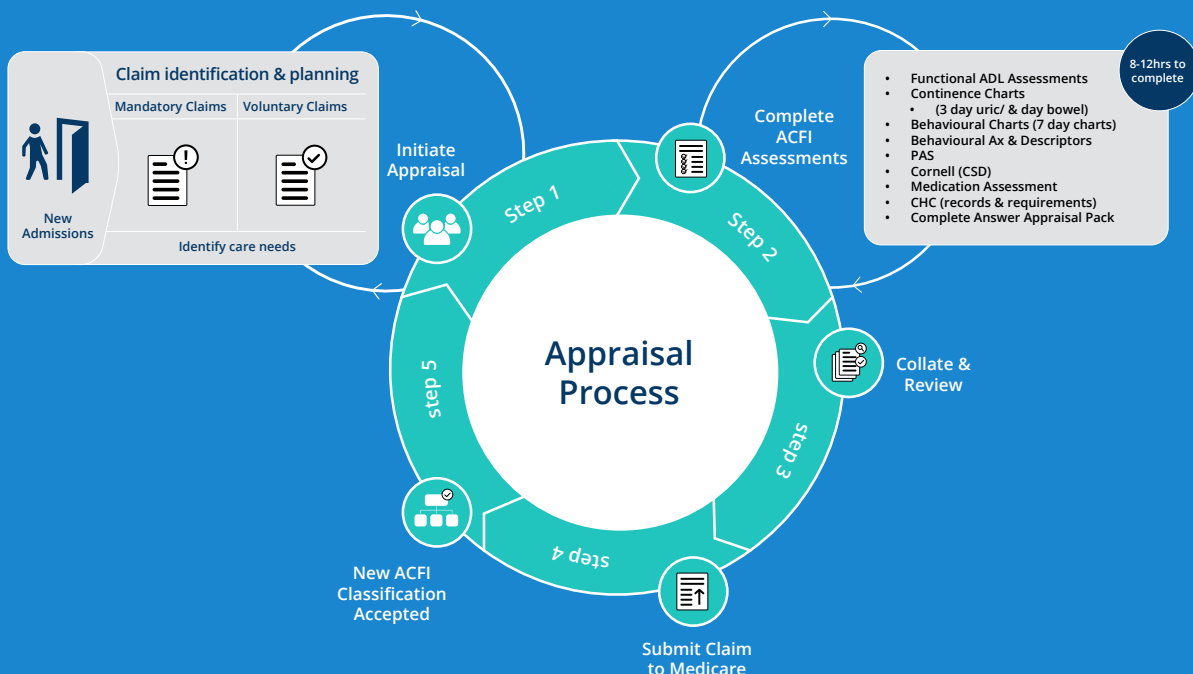
## Little or no progress on planning for new AN-ACC processes

### Process

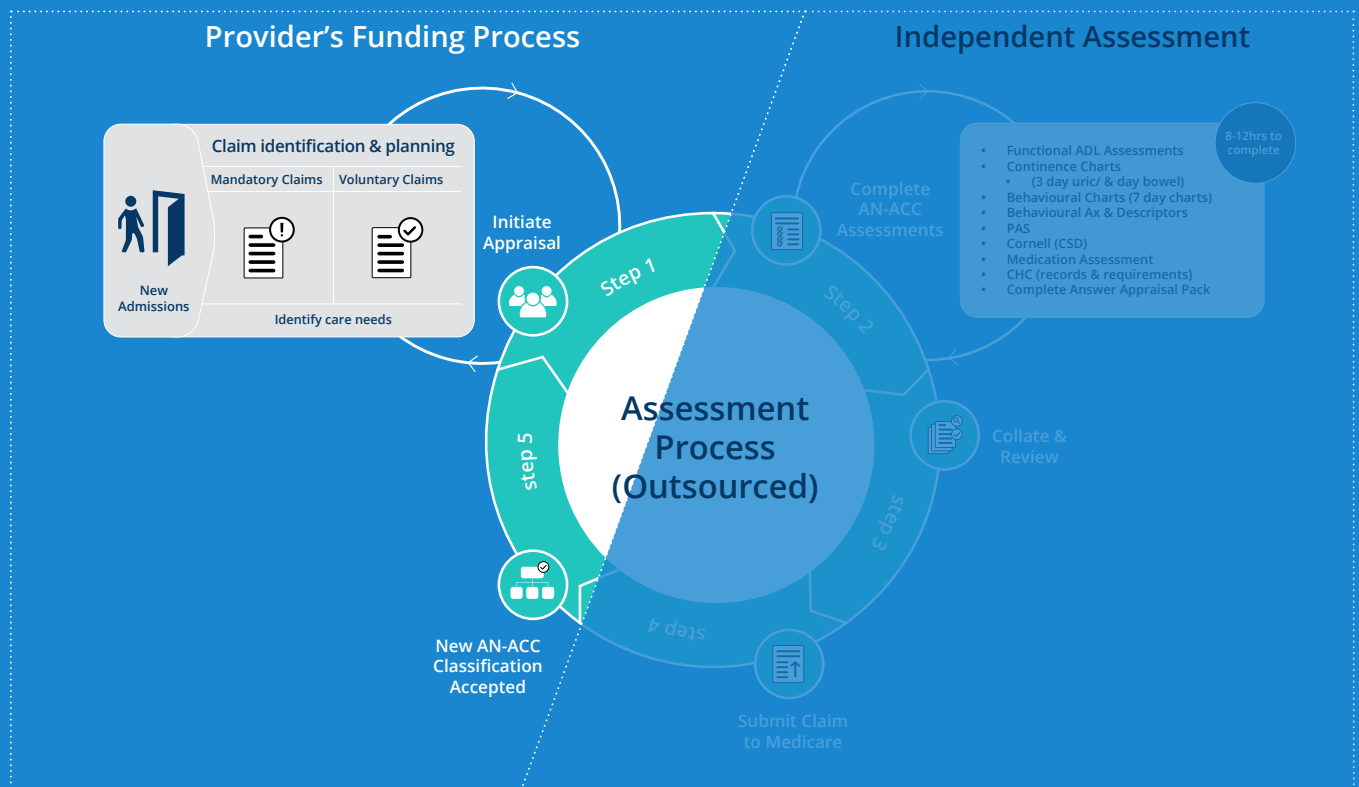
The process question in the survey targeted the shift from ACFI as it is today - significantly documented, self-assessed and externally validated - to an externally assessed process. In the AN-ACC model, less information will be created as a 'pack' and assessors will have more open access to all the information available on the resident including direct contact with the resident themselves in many cases. The shadow assessment process has given many providers a glimpse of this future. There have been reports of some variation in the process. Despite some disruption from COVID-19 in many areas, the shadow assessment process has already been completed for thousands of residents.

## The ACFI assessment process

### Provider's Funding Process



## The AN-ACC assessment process



There are still unanswered questions about how this will work exactly and as one respondent put it,

***“Processes are the hardest things to change in aged care”.***

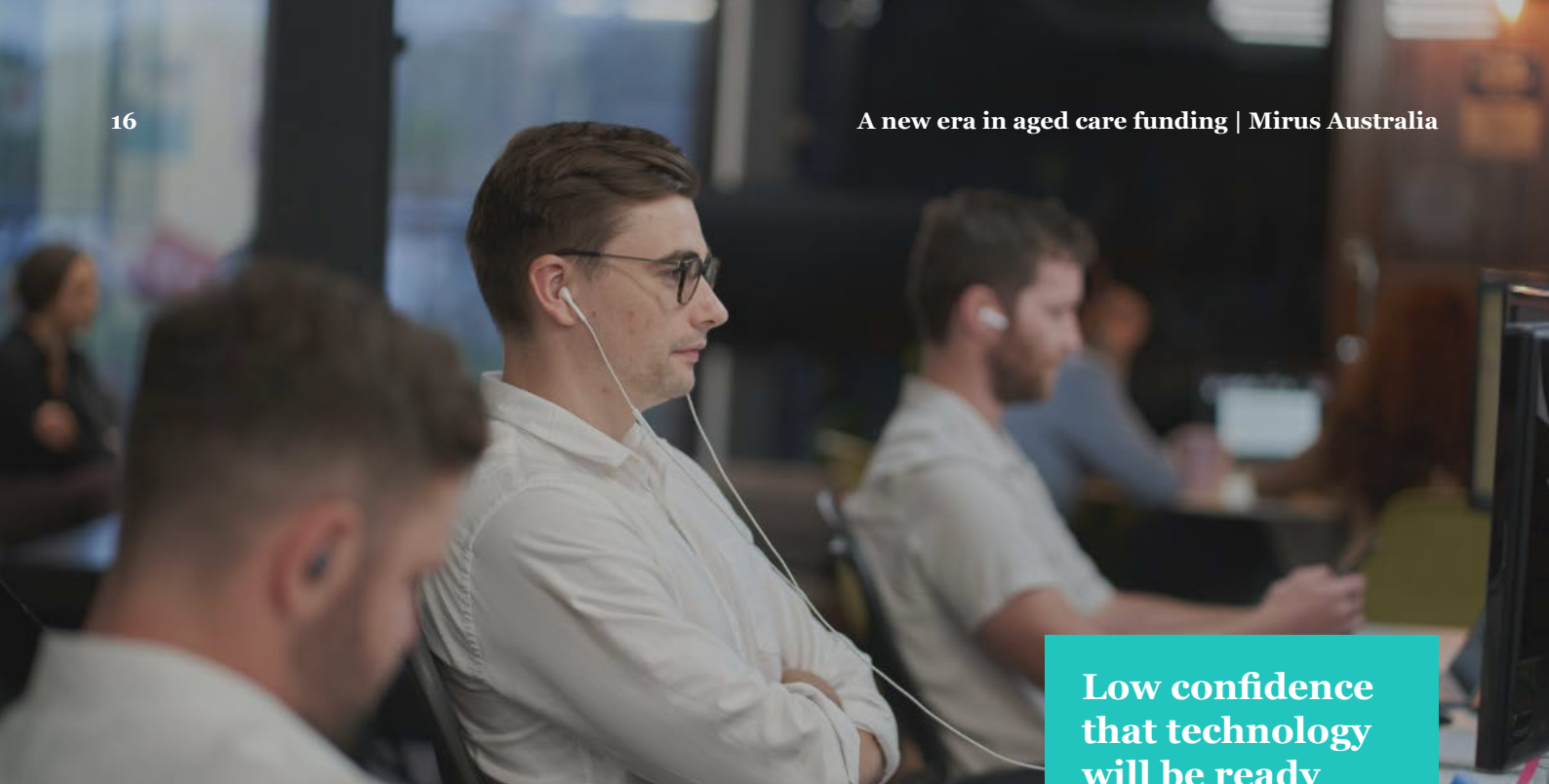
The fundamentals however can be mapped out as shown in the diagrams on the previous page and this page.

Only 19% of respondents had made some progress towards planning for new processes, it seems there will need to be more analysis, more internal championing of the new requirements for clinical documentation and a new process for identifying re-assessments. An additional dimension in AN-ACC will be a decision making around when reassessment submissions should NOT happen. Unlike ACFI, where a resident's care and funding needs would almost always increase, the direct connection between AN-ACC and care minutes means that sometimes AN-ACC classifications will create more choice.

**19%** have made progress towards new processes.

They may need to 'go up', they may choose 'not to go up' to maintain care minute requirements or they may even choose to 'go down'. The choice to stay the same or go down will be driven by the impact on rosters or operating margins. Success in balancing these numbers will have an impact on compliance with the star ratings when they come into effect in 2022 and on operating margins when care minute requirements become mandatory. This decision-making process will need to happen at the individual facility level.

It goes without saying that the standard of care and compliance is paramount in this transition and the key consideration is how these decisions are made.



**Low confidence  
that technology  
will be ready  
for AN-ACC  
changeover**

## Systems

The survey question on systems focused on the readiness of aged care software systems to adapt to the changing AN-ACC requirements. 63% of respondents identified it as a key challenge for the AN-ACC transition with only 25% of respondents confident that the required changes to systems are under control.

The key systems affected will be the care management system and the financial systems including any Business Intelligence (BI) tools that hold Medicare data. Other systems potentially affected would include compliance, reporting, HR and performance management systems, and any that currently hold ACFI data. The wider implications of AN-ACC, including the minimum care minutes and star rating, will also have systems impacts for rostering platforms and admissions or customer relationship management (CRM) systems.

Our survey respondents had mixed feelings about the impact on their systems but they unanimously agreed that systems would be a big challenge. Some were in the middle of implementation projects which will ideally address any potential AN-ACC changes now. Some larger providers with sophisticated systems in a constant state of development were more relaxed about any changes required. Some small-to-medium providers were daunted by the prospect of more technology change and investment, having invested heavily in this area in recent years. A number of small providers who are still relying on manual processing and reporting were less worried. One respondent commented

**25%** feel confident  
that required changes to  
systems are under control.

***“At least our manual processes are easy to change so I am not worried”.***



A small number of systems vendors have been proactive in contacting their clients to discuss the impact of AN-ACC and their plans. At the time of the survey, only a few respondents were aware of any contact with their technology teams by their software providers. Respondents were mostly focused on the impacts to the financial system given the heavy reliance on the Medicare data that runs through those systems. This will have a knock-on effect to financial reconciliations and reporting to management and the Board.

While considered a high priority area, respondents acknowledged that there may be gaps and delays in systems when the transition to AN-ACC occurs because of the timing of the detail necessary to build system changes. The commitment to change is high though, as one respondent commented

***“Our systems make it easier for staff, so we will be investing a lot of time in that”.***





Opportunities and challenges in new data models have not been fully considered

## Data

The data question from the survey challenged many of the respondents because it is not always obvious how pervasive Medicare data is in the day-to-day running of an aged care business. ACFI data finds its way into shift reports, key performance indicators (KPIs) and operational dashboards. Average Daily Subsidy (ADS) is probably the key metric and benchmark for the industry. ACFI Data is also a critical input into financial reporting, management reporting and board reporting. For ASX-listed providers, it is also included in investor and annual reports.

The simplest way to think about the impact of data on the AN-ACC transition is to look at all the places that ACFI data exists now and imagine it was gone. Under AN-ACC, much of the Medicare data available now will be transitioned to the AN-ACC equivalent. However, there is little detail available yet on what we will need to adjust to. Clarity of this detail will be critical for providers. As one respondent said,

***“We make decisions based on data, until I have the data in front of me, I will remain concerned”.***

Data also represents a significant opportunity under the change to the AN-ACC model. It comes from the direct connection of funding rates to mandatory minutes for each resident classification. Linking these will mean that for the first time, providers will have to understand their funding levels per resident, the minimum minute requirements for their rosters and how that will be affected by ever-changing admissions.

**80%** have not fully considered the impacts of AN-ACC on their data.

The increase in funding being provided for the minimum minutes will ideally cover the cost of additional care minutes per resident. The ability to dynamically manage the funding, care minute and admissions data to balance revenue and cost will be critical to sustained financial performance.

There are some systems implications to this. A good Medicare data system, rostering platform and admissions system will capture the data required to get a view across these interdependencies.

What will also be important will be having the skillsets internally or with a trusted partner to build, monitor and manage the data dynamically so that operational teams can follow simple rules and guidelines. This will allow focus on the main objective of our industry – providing optimum care for over 220,000 residents.



# Recommendations

Our intention with this survey was to translate the many conversations we were having about AN-ACC into a document that would give senior leaders in aged care some insight as to how their views compared to the wider industry. We believe most will align well with these sentiments.

We also wanted to convey that while a lack of preliminary progress towards the AN-ACC transition is commonplace among providers for now, the work to be undertaken to fully prepare for the changes cannot be underestimated. The key take-aways therefore should be the following:

## 1.

Engage with others about AN-ACC and the transition if you can. The industry needs to work together and find common solutions to any challenges arising from the changing model. Many providers are part of a network of other providers which can be valuable. You can also reach out to your vendors and partners like Mirus.

## 2.

Consider your current plans and adjust them for AN-ACC. Whether you are changing systems or structures, processes, or policies, now is the time to consider AN-ACC as part of that change. AN-ACC will almost certainly affect budgets in the next financial year and as the average tenure of a resident is over 18 months, most admissions now will be funded under the AN-ACC system at some point in their residency. Begin planning for the transition now. Our AN-ACC MAAP can help you. [Complete the diagnostic online](#) to assess your transition progress.

## 3.

Start building towards the new 'integrated performance data model'. To survive in the AN-ACC world you will need to adjust your systems and process and re-train your staff. To thrive in the AN-ACC world, a new data operating model that integrates resident funding, workplace rostering and resident admissions will help you to manage your business at the facility level. This in turn will support compliance for your star rating (coming in October 2022) and your mandatory care minutes (coming October 2023).

We expect that 2022 will be another year of significant change for the industry, and change fatigue is a serious issue. This is particularly the case with so many experienced resources exiting the industry. We therefore recommend you start planning and transitioning as early as possible to reduce the pace and impact of that change. We are doing all we can to support the industry with complimentary data analysis and advice on the transition. We have also been engaged by a number of clients to undertake transition services and support across funding, occupancy, workforce and quality.

Overall, we are optimistic about the changes and despite the additional effort required to complete the transition, we believe the industry will respond and optimise AN-ACC as they have always done with every other new funding model. The potential to operate in a more certain and integrated data environment will help to usher in a new era of transparency and sustainability around funding and financial viability. Like the rest of the industry, we look forward to that future coming as quickly as possible.



## Acknowledgments

We sincerely thank the participants and panel in the AN-ACC CEO Survey for their time, openness and willingness to participate.

We also want to acknowledge the many clients and providers who we have shared their sentiments on AN-ACC more informally.

We are extremely appreciative of Mr Nick Hartland, the First Assistant Secretary of the Home and Residential Division, Ageing and Aged Group, Department of Health and his team for their ongoing insights and regularly sharing their time with us over the last six months.

And to the always passionate and dedicated team at Mirus Australia, thank you for your ideas and commitment to making this a success.

## Further resources

Visit the AN-ACC Resource Hub for tools, insights and services to assist you in the transition

[www.mirusaustralia.com/an-acc-resource-hub](http://www.mirusaustralia.com/an-acc-resource-hub)

Sign up to receive regular email updates from the Mirus Australia team

[www.mirusaustralia.com/aged-care-blog](http://www.mirusaustralia.com/aged-care-blog)

## About Mirus Australia

At Mirus, we help care for your aged care business so that you can provide more care for your residents. Our services and solutions give you immediate insight into quality, funding, workforce, and customers. Find out what's working well and what isn't in real-time. Spend less time with paperwork and systems and more time planning for better care, profitability, and growth. Our solutions have been designed exclusively with your success in mind because everything we do is for aged care.

### Mirus Australia Co-Founders



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