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## Media Release

*For immediate release*

### **Aged care sector moves towards more sophisticated modeling techniques to cope with March 2008 changes to government funding**

**But some still grappling with possible operating shortfalls**

As a result of the Federal Government's new funding rules for aged care residents, to be introduced on 20 March this year, some of Australia's aged care facilities have begun to implement more sophisticated resident modelling techniques to calculate the impact of potential changes to their revenue streams over the next five to 10 years.

But many aged care providers are still grappling to work out the long term effect of the changes, which could result in operating shortfalls as incoming residents are assessed and classified under the new funding system.

This difficulty with long term planning is often due to the fact that many providers in the aged care sector have not adopted management and care technology systems. They are still bogged down with paper based calculations and assessments, according to the Managing Director of iCare Solutions, Australia's leading provider of clinical and care management systems to the aged care industry.

Mr Gray's comments come as aged care providers across Australia gear up for the impending changeover from the Federal Government's current Resident Classification System (RCS) to the new Aged Care Funding Instrument (ACFI), to be introduced in two weeks time.

"The new ACFI method of calculation is based on 'assessed' levels of care for residents, rather than 'actual' levels of care provided under the current RCS instrument," explained Mr Gray.

"This means that in some cases, ACFI may result in higher Government funding for residents, especially for those people who are assessed as requiring high levels of care. But in other cases, for example, for new residents who are assessed as requiring low or medium care levels, there may be a shortfall between the funding received for the departing resident under the RCS and the new resident arriving under the ACFI.

"In light of this, it's vital that aged care facilities adopt more sophisticated resident modelling techniques now to ensure they understand, and can plan for, potential changes to their income streams and the impact this will have on their business models.

"Specifically, the key to successful economic modelling for funding will be for aged care providers to carry out an in depth analysis of their attrition and arrival rates, ie, how many residents leave, on average, on an annual basis? And of those that depart and arrive, what is the financial impact of the potential difference between the RCS and ACFI funding arrangements?

"This type of data modelling can be a challenging area for many aged care providers, but it is essential. Only by comprehensively analysing their future attrition dynamics that they can begin to understand any funding gaps and how they may affect their business in the long term," he said.

Mr Gray said that he believed the aged care sector was set to undergo radical change in the next few years as the Government tackles the issue of the ageing baby boomer generation.

"It's just not feasible to expect that our current model of aged care can cope with the doubling of Australians aged over 70 in the next 20 years," he said.

"It would be logical for Australia to move towards a system of home based care for those people who require low level care, while continuing to maintain aged care residential facilities which cater for people who require higher levels of care.

"We would expect to see the Government introduce a range of policies over the next five years to encourage aged care facilities to move towards this model and simultaneously become more economically viable through the adoption of technology.

"Many, for example, are still using old fashioned, paper based care and administrative procedures, with many carers typically spending up to a third of their time hand writing assessment forms and updating progress reports.

"In today's day and age, this is a huge waste of time, money and resources. Embracing technology in clinical and care management is a significant change management process, but one that delivers enormous cost efficiencies," he said.

Mr Gray said that in the last five years, iCare had installed software to manage over 30,000 beds in aged care facilities in Australia, reducing the time spent on clinical and care documentation by up to 30 per cent in each facility.

The company has also developed an ACFI Stand Alone Calculator which enables aged care providers, which have not fully embraced technology throughout their facilities, to automatically calculate ACFI assessments and implement RCS to ACFI change models.

"Demand for the ACFI Stand Alone Calculator has been enormous in the last two months as the implementation date of 20 March approaches because it operates as a stand alone technology service.

“The Calculator has been very popular because it’s able to generate validated ACFI appraisals and supporting documents that can be stored electronically. The ACFI summary can be uploaded to the Federal Government’s Medicare website which is very important because speed of lodgement will help to protect existing funding and maximise future funding,” he said.

### ***About iCare Solutions***

*iCare is the market leader in the provision of Clinical & Care Management solutions to the aged care industry in Australia with over 30,000 beds under licence and a further 18,000 beds being implemented. The total number of aged care beds in Australia is approximately 220,000.*

*iCare software was developed based on a research thesis by Dr Bill Koch at La Trobe University in Melbourne. Today, it is the second fastest growing software company in Australia and the seventh fastest growing company across all technology sectors (Deloitte Technology Fast 50, 2007. In 2006, iCare was rated fifth and 25th respectively). Based in Melbourne, iCare is privately owned. It employs 30 staff in Australia and was launched in the UK in September 2007.*

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