



Financial forecasting and budget modelling for CDC

Marisa Galiazzo
Principal – Green Sea Shell Consulting

TODAY ...

TOMORROW...



- ✓ **Today:** Provider as fund holder
- ✓ **From 1 July 2014:** Provider **and** client as fund holder
(income tested fee + and co payment arrangements + subsequent reduction in subsidy from government)
- ✓ **The not too distant future:** client as 100 % fund holder

THE NEW WORLD....



Block funding ✗

Individualised funding ✓

Cross subsidizing ✗

Each client as a separate cost centre ✓

FROM 1 JULY 2014....



<p>SUBSIDY</p> <p>ITF</p>	<p>Subject to Means Test where subsidy reduction and Income Tested Fee applies</p>
<p>BASE FEE</p>	<p>Negotiated, maximum at 17.5% of the aged care pension plus 50% of other income</p>
<p>FEE FOR SERVICE</p>	<p>Optional</p>

CONSUMER BEHAVIOUR...



FINANCIAL MODELING AND FORECASTING



- know your true current costs
- what type of model to use to set costs that will achieve sustainability, competitiveness and quality ?

BILLING FOR ACTUALS



- on a 'billable hours' model – how do you confidently forecast your income ?
- how do you plan for 'overs' and 'unders' ?



THE ADMINISTRATIVE COSTS

- ✓ some providers coming in at between 7% and 10%
- ✓ some options for setting:
 - flat fee
 - % levy per week
- ✓ bundle the 17.5% (max) of the basic pension into the administration fee ?
- ✓ need to be able to explain what the admin fee or levy covers

CASE MANAGEMENT / CORE ADVISORY FUNCTION



- ✓ CM / CA models will need to change
- ✓ CM / CA hours will need to become as visible and accountable as the direct services purchased into the home
- ✓ How to plan stable staffing model to maximize / ensure continuity of care
?
- ✓ Cost of 'down time' – where to absorb ?
- ✓ Variable demand for CM/CA = cash flow fluctuations
- ✓ Some options for setting :
 - unit cost per hour
 - % levy week

DIRECT SERVICES



- ✓ visible on-the-ground, quantifiable service delivery
- ✓ clear deliverable for client to see and plan for
- ✓ straightforward to charge on a fee for service basis...albeit within limited budget parameters

THE MONTHLY CLIENT STATEMENT



- ✓ accountability and explanation for all activities undertaken for client
- ✓ standard schedule, time allocations, costings for various CM/CA activities ?
- ✓ under the 'billable hours' approach - what time will it take to for CM's to consistently, completely and accurately record their hours in the system ?
- ✓ how to achieve consistency of billable costs application across your whole organisation
- ✓ dealing with disputes
- ✓ client 'on the clock'

REVIEW OF SERVICE DELIVERY MODEL



- how will you shape your operations to realise efficiencies to fit your new budget?
- will your staffing and case management model need to change?

Considerations:

- ✓ remote methodologies
- ✓ fully integrated client procurement financial database solutions
- ✓ client self-service portals
- ✓ centralisation of systems
- ✓ more mobile and technology-equipped workforce

IN CONCLUSION...



- ✓ ANALYSE your current service delivery costs and model
- ✓ DEFINE what your macro budget and service model needs to look like under a CDC framework
- ✓ CLARIFY your transition strategy
- ✓ TRANSITION NOW to this newly defined budget and service model

QUESTIONS / DISCUSSION





Thankyou

Marisa Galiazzo

Green Sea Shell Consulting

P: (02) 8097 9599

M: 0402 097 866

E: mgaliazzo@greenseashell.com.au

W: www.greenseashell.com.au