



# Line by Line Allocation Methodology Guidance for ARC Funding Analysis Participants

## Background

The preference for StewartBrown and the Aged Care Association (ACA) of New Zealand is to collect detailed data across the four care level categories of Rest Home, Hospital, Dementia and Psychogeriatric. This is referred to as **Option A** in the Aged Residential Care (ARC) Funding Analysis data collection workbook.

This method allows for a more robust analysis on the adequacy of the funding levels across the four care levels and is critically important to inform and lobby government on funding reform initiatives that will make the sector financially sustainable and investible.

It has been observed that sector reporting practices do not commonly distinguish the breakdown of costs across the four care levels because the aged residential care operations are typically operated as single business units across a mix of the four care levels. Revenue can easily be identified across the care levels but the splitting of costs requires defensible business assumptions to determine equitable costs and hour allocations across the four care levels.

## Purpose of Guidance Material

Each Aged Care operation may have their own defensible allocation methodologies based on their business and operational practises i.e. roster, beds/units, revenue. Based on that assumption this means an operator falls into one of the two categories below.

1. If providers already have reporting practices which provide costs split across the four care domains of Rest Home, Hospital, Dementia, Psychogeriatric, please use the **Option A** columns in your ARC Funding Analysis Data Collection workbook. This is the preference of StewartBrown and the ACA.
2. However, if you do not have a care domain split in your reporting practices, the methodologies in this document are designed to assist you in providing StewartBrown with the allocation percentages it requires to break down the *Aged Residential Care - All Services costs Option B* into the four domains.

Where Participants use **Option B** to complete their ARC Funding Analysis data collection, StewartBrown will allocate the *Option B All-Services Costs* across the four domains based on the methodology provided in this document.

StewartBrown's preference is that ARC Participants develop their own defensible allocation methodologies to understand their cost of providing aged residential care services across the four care domains and report the ARC Funding Analysis to StewartBrown using the **Option A** data collection methodology.

For more information on the **Option A** data collection please refer to page 23 of the StewartBrown ARC Funding Analysis Participation Guide [here](#)

## Cost Allocation Methodologies

### Explanation of Common Cost Allocation Methodologies

Cost allocation methodologies	Explanation of methodology
Roster	Available where the rostering system can separately identify if staff are working on Rest Home, Hospital, Dementia, or Psychogeriatric residents. This may not be possible where business streams mix care levels. Using roster data is the most accurate cost allocation methodology, however, where this method is not available due to rostering a mixed service model, you can use the ARC Funding Analysis Allocation tool to derive allocation splits for nursing and caregiver staff and other methodologies described in this document for other staff types.
ACA Care labour allocation tool - Nursing	<a href="#">Refer to ARC Funding Analysis Allocation Tool for RNs and Caregivers</a> to derive cost allocation percentage splits <a href="#">Download Excel Tool here</a>
ACA Care labour allocation tool – Health Care Assistant (HCA)/caregiver	
Average resident mix	Percentage allocation derived by dividing the average resident number per care domain by the total average number of residents occupying the village.
Available Beds (NB: This is the number of beds in operation i.e. occupied beds + vacant available for occupation. It excludes beds that are offline due staffing shortages, redevelopment works etc.	Percentage allocation derived by dividing the average number of available beds for each care domain by the total average number of available beds in the home.
Revenue	Cost allocation derived by service share of revenue. This is where share of revenue is used as the driver to allocate shared costs. Calculated as Operating Revenue for service divide by Total Operating Revenue across all services
Administration recharge	Shared head office and corporate costs are essential for operating an aged care business. It is common for medium to large-size operators with multiple business streams and homes to have a number of corporate and shared service cost centres. The corporate cost needs to be reflected via an administration recharge to the individual business sites and services to assess the true cost of providing care. Please refer to information prepared by StewartBrown on best practice allocation methodologies: <a href="#">Corporate Administration and Overhead Allocation Guidance Material</a>



### Option A Data Collection: Recommended Allocation Methodologies

The following allocation methodologies are recommended. However, if your organisation has its own defensible allocation methodologies to allocate costs between the four care domain levels, then please continue to allocate costs per your business-as-usual cost allocation and reporting practice.

The purpose of this guidance material is to assist organisations that do not have reporting practices to separate and report the cost of providing care across the four care domains.

Table 1: Direct care revenue

Line item	Allocation methodologies
Residential (Aged - Rest Home)	Directly allocated based on resident service and support level
Residential (Aged - Continuing Care - Hospital)	
Residential (Aged - Dementia)	
Residential (Aged - Continuing Care - Psychogeriatric)	
Short-term stays	
Grants/subsidies - not capital	
Other private care revenue	

Table 2: Direct care staff costs

Line item	Allocation methodologies
<b>Care labour costs</b>	
Care management	Roster, average resident mix
Registered nurses	Roster, ACA allocation tool - Nursing
Enrolled nurses ( <i>registered with the NCNZ</i> )	Roster, ACA allocation tool - Nursing
Caregivers, HCAs	Roster, ACA allocation tool – HCA/caregiver
Allied Health	Roster, average resident mix
Diversional therapy/ Lifestyle/ Activities officer	Roster, average resident mix
<b>Bureau staff labour costs</b>	
Care management	Roster, average resident mix
Registered nurses	Roster, ACA allocation tool - Nursing
Enrolled nurses ( <i>registered with the NCNZ</i> )	Roster, ACA allocation tool - Nursing
Caregivers, HCAs	Roster, ACA allocation tool – HCA/caregiver
Allied health	Roster, average resident mix
Diversional therapy/ Lifestyle/ Activities Officer	Roster, average resident mix

Table 3: Direct care non-staff costs

Line item	Allocation methodologies
Ambulance & other transport to and from health services	Average resident mix
Medical and pharmaceutical supplies	Average resident mix
Incontinence supplies	Average resident mix
Nutritional supplements	Average resident mix
Oral health living expenses	Average resident mix
Chaplaincy/Pastoral care and Kaumātua	Average resident mix
Other resident services and consumables	Average resident mix
Staff housing - employee	Average resident mix
Staff housing – bureau	Average resident mix
Staffing retention - employee travel costs	Average resident mix
Staffing retention – bureau travel costs	Average resident mix

Table 4: Everyday living revenue

Line item	Allocation methodologies
Additional services fee revenue	Directly based on resident service and support level

Table 5: Hotel services - catering

Line item	Allocation methodologies
Employee labour costs	Roster, average resident mix
Consumables - food	Average resident mix
Consumables – other	Average resident mix
Contract (internal)	Average resident mix
Contract (outsourcing)	Average resident mix
Food plan verification costs	Average resident mix
Income from sale of meals (usually a credit amount)	Average resident mix

Table 6: Hotel services - cleaning

Line item	Allocation methodologies
Employee labour costs	Roster, average resident mix
Consumables	Average resident mix
Contract (internal)	Average resident mix
Contract (outsourcing)	Average resident mix

Table 7: Hotel services - laundry

Line item	Allocation methodologies
Employee labour costs	Roster, average resident mix
Consumables	Average resident mix
Contract (internal)	Average resident mix
Contract (outsourcing)	Average resident mix

Table 8: Other hotel services expense

Line item	Allocation methodologies
Other hotel services expenses	Average resident mix

Table 9: Utilities

Line item	Allocation methodologies
Electricity	Average resident mix
Gas	Average resident mix
Rates	Average resident mix
Rubbish removal	Average resident mix

Table 10: Administration expenditure

Line item	Allocation methodologies
Administration recharges	Refer to StewartBrown detailed shared and corporate overhead guidance methodology <a href="#">here</a> . Other methods could include available beds, share of revenue etc
Labour costs - administration	Available beds
Other administration costs	Available beds
ACC levies - all staff	Average resident mix
Fringe benefits tax - all staff	Average resident mix
Quality, education & compliance - labour costs	Average resident mix
Quality, education & compliance - other costs	Average resident mix
Insurances	Available beds

Table 11: Accommodation Revenue

Line item	Allocation methodologies
Accommodation premium charges	Directly based on resident service and support level
Deferred Management Fees (DMF)	
Recurrent service/maintenance fees	
Rental	
Government subsidies/grants for accommodation	

Table 12: Accommodation Expenditure

Line item	Allocation methodologies
Repairs & maintenance	Available beds
Contract (internal)	Available beds
Contract (outsourcing)	Available beds
Motor vehicle expenses	Available beds
Employee labour costs	Roster, available beds
Depreciation – building	Available beds
Depreciation - non building	Available beds
Depreciation - right of use assets	Available beds
Interest expense - right of use assets	Available beds
Amortisation	Available beds
Rent - buildings (not captured by AASB 16)	Available beds
Refurbishment	Available beds

## Staff Hours Allocations

It is important that staff hours are also reallocated across the four care domains using the same methodology used to allocate staff costs.

Table 13: Staff hours allocations (normal, overtime, bureau, contract, other)

Line item	Allocation methodologies
Care management	Use the exact same methodologies for staff hours that you have used to allocate staff costs.
Registered nurses	
Enrolled nurses	
Caregivers, HCAs	
Allied health	
Diversional therapy/ lifestyle / Recreation Activities Officer	
Hotel services - catering	
Hotel services - cleaning	
Hotel services - laundry	
Maintenance	
Administration (other worked hours)	
Quality and education	

For any queries related to cost allocation methodologies please email [ACANZ.fundinganalysis@stewartbrown.com.au](mailto:ACANZ.fundinganalysis@stewartbrown.com.au)