



The Aged Care Dynamic Cohort Model

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This paper will provide an overview of the Australian Department of Health and Ageing's Aged Care Dynamic Cohort Model (ACDCM) and present the results of several simulations. International models of aged care suffer from several deficiencies. They tend to be 'demand driven', emphasising demographics and disability; have less well developed supply sides, with supply often seen as a planning requirement; have weakly developed interactions between supply and demand exclude the impact of informal care; assume costs are exogenous rather than the result of the interaction of demand and supply; not provide a regional focus; not model the financing of care services in detail. By contrast, the ACDCM does not model future demand for existing programs but rather demand for bundles of five service streams: personal care services, social services, nursing services, cognitive and behavioural services and accommodation services. Further, the ACDCM also considers the impact of private price (elasticity of demand) and of changes in wealth, which are allowed to impact on the type, quantity and quality of services demanded. In modelling supply, the ACDCM, looks to efficiently supply demands, subject to constraints. That is, the model calculates the unit cost-minimising combination of factor inputs required to produce aged care at a given level of quality. In modelling aged care financing, the ACDCM models the increasing wealth of older Australians (and the likely distribution of that wealth) and the impact of this wealth on the type, quality and quantity of services demanded.