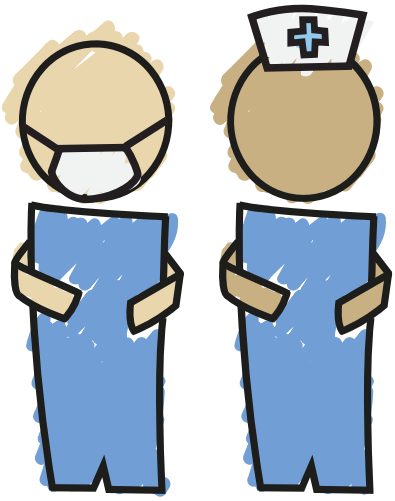
MAKING PEOPLE COUNT

FUTURE FOCUSED FINANCE

COSTING FOR CLINICIANS



By David Green[1] and Ak Maheswaran[2]

[1]Specialist Registrar in Anaesthetics, [2]Consultant Anaesthetist.
University Hospitals of Leicester NHS Trust

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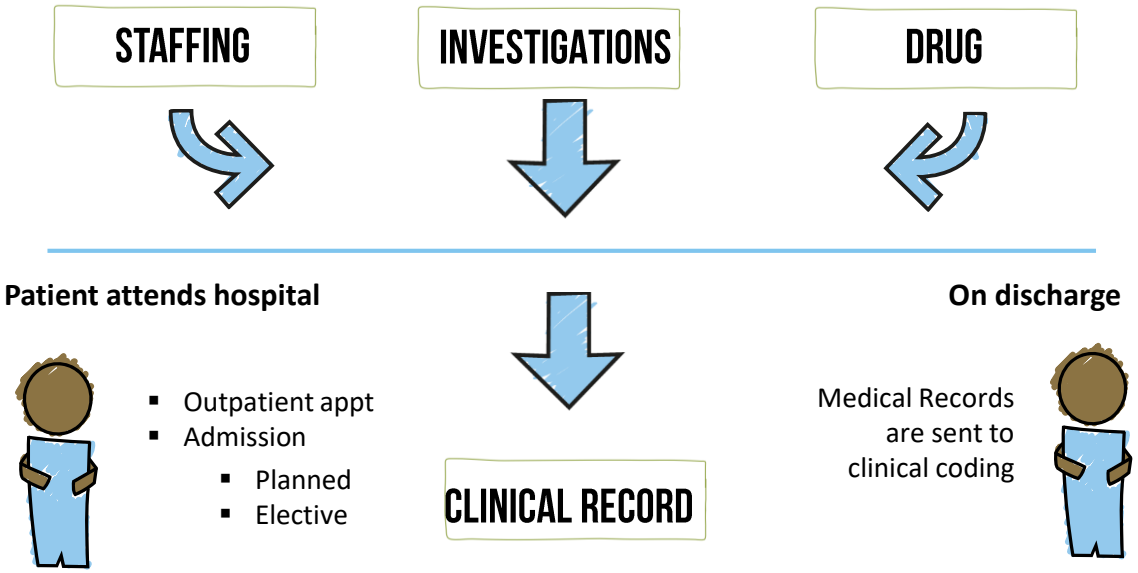
Every decision a clinician makes about a patient's care has financial implications and as the NHS has finite resources, it is imperative that clinicians understand these implications, so that they can ensure that they are delivering the best value care to their patients.

Costing is the way we work out how much the healthcare services we provide cost, it also allows us to predict how much new ways of working may cost.

CLINICAL CODING

A patient's journey through hospital (and the costs they incur) is documented in their clinical notes. Once the patient Is discharged, the notes are sent to clinical coding.

Clinical coding is a standardisation of medical terminology into an internationally recognised format. Diagnostic and procedural codes are assigned using the International Classification of Disease - 10 (ICD-10) and Office of Population Census and surveys classification of procedures (OPCS-4+) to patient episodes. Clinically similar treatments are grouped together as Healthcare resource groups (HRGs). This means 26,000 codes are translating into around 1,500 HRGs, making the numbers more manageable. Coding is important as it is used to determine how they will be paid, to analyse information about services provided, to appraise performance and effectiveness (e.g Standardised hospital mortality).



ENSURING ACCURATE CODING

Coders are only able to code what is written and are unable to interpret investigations. They cannot make assumptions which means poor documentation results in poor data in turn leading to poor coding and reductions in trust income.

Diagnoses must be definitive – coders are unable to code '?', 'likely', 'possible' or 'suspected'. All co-morbidities must be included, with more co-morbidities resulting in higher payment per patient episode.

USING CODING FOR PAYMENTS

The NHS uses a system called the National Tariff to help determine how commissioners pay providers for each patient seen or treated. The national tariff consists of currencies and tariffs, which are nationally determined. Currency is the unit of healthcare for which a payment is made. Tariff is the rate at which the currency is paid. The currency for admitted patient care (and A&E) is the HRG.

PATIENT LEVEL INFORMATION AND COSTING SYSTEMS (PLICS))

PLICS (patient-level information costing system) is a system to derive costs at the patient level. This is IT software, output being patient level costs (PLC). The aim being to quantify more accurately the cost of an individual episode.

At present, the principal source of data in the NHS are reference costs, which have a variety of flaws; cost collection guidance is variably interpreted, making comparison more challenging; some costs are excluded from the cost assigned to patient care, resulting in incomplete data; costs are based on HRG averages, underlying diagnosis or operations is excluded. These factors make the true cost of care provision difficult to determine from reference costs.

PLICS aim to be more inclusive of total costs and therefore more accurate in determining the cost of healthcare provision.

PLICS can be used to compare costs within and without organisations, identifying best practice and where efficiency savings might be expected. They can also be used to identify the possibility of developing economies of scale and variations in care specific to local areas.

NHS Improvement expects that every acute provider will have more accurate costing standards, namely PLICS by July 2019.

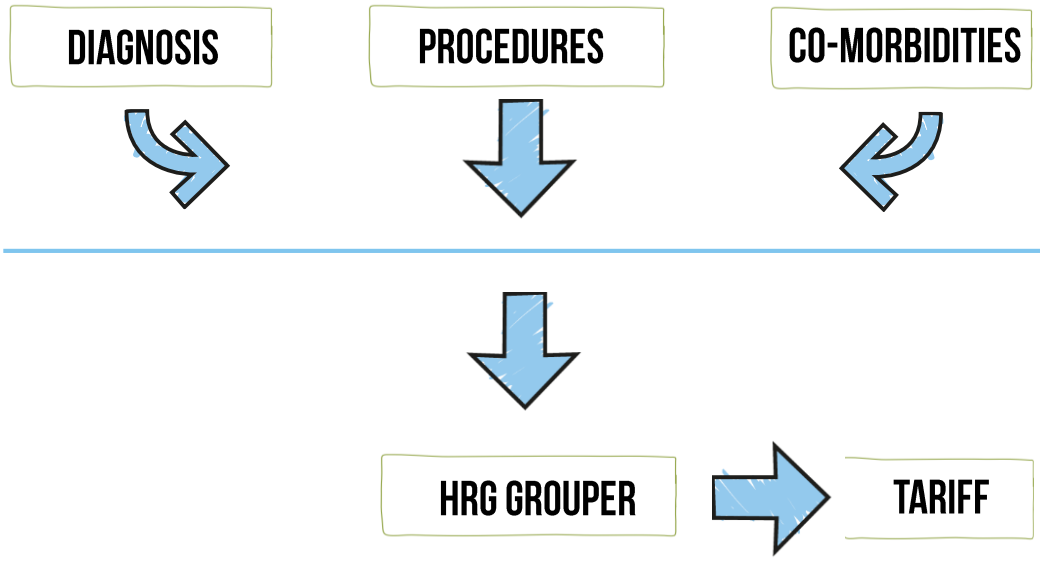
HOW TARIFFS ARE WORKED OUT (REFERENCE COSTS)

Reference costs are the average cost to the NHS of providing a defined service in each financial year.

They are used to set the national tariff, but they also have an important role in the benchmarking of costs.

There are tariffs for 2100 HRGs. Traditionally, tariff prices were worked out based on average costs reported by NHS providers, however, various adjustments are then made to reflect local variations in costs (market forces factor; MFF), the fact that reference costs are 3 years in arrears and therefore inflationary pressures need to be considered, in addition, some patients care will be lengthier than expected, or require specialised, more expensive care.

Best practice tariffs are being used that base tariffs on best clinical practice rather than average cost.



NHS Improvement usually publishes the national tariff every year, but current tariff is for two years. There are different prices for different treatments as well as types of attendance, e.g. elective vs emergency.

Admitted patient care includes different types of admissions, day-case, ordinary elective and non-elective. Critical care doesn't have a tariff and is dependent on local agreement between commissioners and providers.

Provider income = activity x price x MFF