hfma

Healthcare
Costing for
Value Institute

What does good look like for costing in the NHS?

February 2024 update

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Summary

In September 2021, the Healthcare Costing for Value Institute (the Institute) published a briefing *What does good look like for costing in the NHS?* written in collaboration with members of the Institute costing group. The briefing opened with the following statement:

> *The NHS in England has invested substantially in costing to implement the national Costing Transformation Programme. The reality is that while NHS trusts are putting a lot of money into supporting the programme, local health systems are not reaping the benefits.*

The 2022/23 National Cost Collection (NCC) completed in January 2024 signifying the final stage of the NHS England Costing Transformation Programme. All sectors are now mandated to submit patient level information for the majority of services in accordance with the NHS England's *Approved costing guidance*.

In parallel with the 2022/23 collection, in summer 2023, NHS England also launched a future of costing project. Working with practitioners and stakeholders, including the Healthcare Financial Management Association (HFMA), it has committed to reviewing the requirements of the NCC with the aim of aligning more closely with trusts' local patient-level cost data and reducing the burden involved in producing the NCC.

In addition, NHS England's costing team are planning to use the recently procured federated data platform to enable efficient collection of cost data from provider trusts in the future.

Our original September 2021 briefing highlighted 10 tests of what good costing looks like in the NHS. This update details progress to date, both locally and nationally, against these tests and outlines our recommendations for how the future of costing project and move to a federated date platform for collecting cost data can address some of the current challenges that costing practitioners face in balancing local and national priorities.

Background

The Institute recognises the importance of a national collection of cost information that can be used by a host of stakeholders to inform decision making and improve value across healthcare providers. However, we are frequently told by our members that the burden of producing the NCC leaves limited time for costing practitioners to support their local clinical teams. Increasingly, access to timely cost data and the expertise of costing practitioners are recognised as essential elements to driving productivity and efficiency and achieving long-term financial sustainability within individual trusts and wider health and social care systems.

There is currently a wide variation in the frequency of producing local costing models and how they are used to support decision making at local level. At one end of the spectrum, Nottingham University Hospitals NHS Trust (NUH) is an example of a trust successfully integrating patient level costing into a service improvement programme,

using it to identify and investigate variation and then to model and monitor changes made to the way patient care is provided. Meanwhile there are trusts that continue to produce cost data annually to satisfy national statutory requirements but are missing out on opportunities to harness the benefit of this information locally.

The Costing Transformation Programme was original developed by Monitor and adopted by NHS England to ensure that all providers could deliver patient level costing information to a consistent standard. The aim was to ensure that data was available to inform national requirements but also to encourage all providers to use the data locally.
Building on this, the possibility of a move to more frequent national cost collections of patient-level costs was raised in November 2020 by NHS England and NHS Improvement, indicating that it was likely to be a quarterly submission. Further information was provided to costing practitioners at the 2021 HFMA Healthcare Costing for Value Institute costing conference. In April 2022, NHS England announced that a pilot scheme to introduce quarterly national submissions would start in late 2022.

However, following engagement with costing practitioners, the HFMA and other stakeholders, these plans were put on hold. In August 2023 NHS England launched the future of costing project, intended to be a wider review of national costing requirements and opportunity to better understand how the NCC can align with trusts' local patient-level cost data, how submission of costs can be improved through automation and how the burden on costing practitioners in relation to the NCC can be reduced.

While we are concerned about the limited progress since the project launched in August 2023 we recognise that this has been a period of change and uncertainty in the NHS England costing team due to restructuring and reduction in team size. The HFMA through the Institute welcomes the opportunity to be involved in this project and would be pleased to provide additional support to the project, communication and implementation of changes that may arise.
The 2022/23 NCC submission has been subject to significant delays and challenges for both costing practitioners and NHS England. There have been recent announcements that there are no major changes to the collection requirements in 2023/24. Coupled with the lessons learnt from 2022/23 this should avoid a repeat of the delays and uncertainty.

While practitioners will welcome these announcements, they do little to address the underlying burden of producing the NCC in its current format. This will only be resolved by expediting the future of costing project and ensuring that project is successful in achieving its stated aims.

The September 2021 What does good look like for costing in the NHS? briefing was written in response to the original announcement of plans to move to quarterly national cost collections. The Institute worked with costing practitioners from the Institute Costing Group to highlight ten tests that should be met before any plans to move to more frequent cost collections were considered. These are outlined below.

1. Cost data is regularly used in decision-making to drive improvements in value in the NHS.
2. Costing supports the future information requirements of the NHS.
3. Cost data from the national cost collection is fed back in a timely manner to local health economies in a way that supports them to improve value.

4. There are a set of national costing standards to ensure a consistent approach to patient-level costing.
5. The standards are proportionate, achievable, and easy to understand.
6. There is a single version of cost data that can be used both locally and nationally.
7. Local leaders ensure that there are robust data governance processes in place for the non-financial data required for costing.
8. The role of cost accountants includes creating cost data and supporting their local health services to use the data to improve value.
9. Local and national costing teams are adequately resourced with staff who have the right skills, knowledge and experience.
10. Decisions made about changes to the national costing approach are transparent.

The development of the national costing approach is done in close partnership with local teams.
We believe that these ten tests also provide a valid framework for assessing expected outcomes from the current future of costing project and as a way to assess plans to move to the federated data platform for data submissions.

We recommend that the original report is read in conjunction with this update.

Current assessment against the ten tests of what good looks like for costing

Cost data is regularly used in decision-making to drive improvements in value in the NHS.

Many trusts now produce patient level cost information on at least a quarterly basis to inform local decision making. However, we are aware that a large number of these local models would not be suitable for national submission and that, while local models can be produced in a matter of days or weeks, trusts can spend up to three to four months converting them to meet the requirements of the NCC.

While some trusts continue to produce local models alongside the national submission, others do not have the staffing resource or system capacity to do so. When the NCC submission is delayed, as was the case for the 2022/23 submission, this can have a significant detrimental impact on the availability of cost data to drive local decision-making.

A key objective of any outcomes arising from the future of costing project should be to reduce burden on costing practitioners from the national submission. However, we do

not believe that efforts to align local and national models will fully address these concerns as there is unlikely to be a single solution that is suitable for all providers.

We recommend a simplified national collection, at patient level where appropriate, that meets the information requirements of national stakeholders and can be mapped from most trust's local models. Noting concerns raised by our members, we recommend that NHS England takes steps to remove unbundling from the NCC, to reduce the granularity of resource and activity allocation and to ensure that all requested data fields (for calculation purposes or submission) are available in existing mandated data sets.

Costing supports the future information requirements of the NHS.

It is vital to reduce the time elapsing between submission of NCC and subsequent publication of results so that data is available for national benchmarking. This is expanded on in the next test.

We note that the level of granularity of information currently included in the national cost collection is far greater than used in any of the national benchmarking tools. As part of the future of costing project we recommend that all national stakeholders are consulted to understand their requirements.

Using the national cost data to drive production of mandated and guide prices in the NHS payment scheme is a core function of the NCC but prices for 2023/24 and proposed for 2024/25 continue to be based on the 2018/19 cost base. We believe that reducing the burden of the NCC and addressing the turnaround time for results will ensure that the NHS England pricing team have timely access to appropriate cost information.

Cost data from the national cost collection is fed back in a timely manner to local health economies in a way that supports them to improve value.

In recent years there have been significant delays in publishing the results following national cost collection exercises. 2020/21 results were not published until July 2022, 2021/22 results were published slightly earlier in April 2023. With the 2022/23 submission only completing in January 2024 it is likely that publication of these results will take place more than 12 months after the end of the year to which they relate.

This time delay means that when results are published they are too out of date to be reliably used by local organisations and systems to draw any meaningful conclusions.

This is also true of the impact on national programmes and benchmarking. Increasingly trusts are using the insights from national projects such as Model Hospital/System and Getting It Right First Time (GIRFT) to drive improvements in value, but to be effective the data needs to be sufficiently timely to be compared with local information. Without this it is difficult for local and national users to reach reliable conclusions.

We recommend that improving the timeliness of access to national cost information should be a key expected outcome of any actions arising out of the future of costing project.

There are a set of national costing standards to ensure a consistent approach to patient-level costing. The standards are proportionate, achievable, and easy to understand.

The Institute acknowledges that over the past few years there has been a reduction in the length of costing standards and NCC guidance, which jointly make up the approved costing guidance. Publication of a web-based approved costing guidance for 2022/23 is recognised as introducing some improvements in functionality. However, our members have noted that the standards and associated documentation remain complex and difficult to navigate, not least because practitioners need to search both the website and workspaces on FutureNHS when looking for specific information.

We have previously called for a radical rewrite of the approved costing guidance, in particular the costing standards. We recognise that any changes arising from the future of costing project will need to be reflected in future editions of the costing standards and approved costing guidance and therefore recommend that this is also an opportunity to undertake the radical review that is required.

There is a single version of cost data that can be used both locally and nationally. Local leaders ensure that there are robust data governance processes in place for the non-financial data required for costing.

The Institute is fully committed to supporting the development and use of patient level costing data to drive decision making at local and national level. However, as noted above, we do not feel that it is possible to fully align local and national models at patient level in a way that can be universally applied.

We would therefore recommend a simplified national collection, at patient level where appropriate, that meets the information requirements of national stakeholders and can be mapped from most trust's local models.

Costing practitioners working in all sectors have long noted that informatics departments will often only be able to provide them with data that has been mandated for collection as part of statutory minimum data sets. We would therefore welcome any proposals to align costing data requirements with mandated data sets which could have added benefit for improving information availability and quality across the NHS.

Where national costing requirements exceed the scope of currently mandated data sets, we recommend that the NHS England costing team work with both their digital/casemix colleagues and local costing practitioners to develop and introduce the necessary mandated data before building it into the costing requirements.

The role of cost accountants includes creating cost data and supporting their local health services to use the data to improve value.

As previously noted, costing practitioners are increasingly expected to use their expertise and the availability of timely cost data to support trusts in driving productivity, efficiency and achieving long-term financial sustainability. We expect to also see growth in the use of cost data to support system-wide transformation that addresses the imperative to reduce health inequalities, focuses on prevention and improving population health, and ensures that limited health and social care resources are utilised equitably and appropriately.

We therefore recommend that a core test for any planned actions arising from the future of costing project is to assess how it will release more time for costing practitioners to work with local clinical teams to drive improvement in their own trusts and systems.

Local and national costing teams are adequately resourced with staff who have the right skills, knowledge and experience.

We have not undertaken a formal analysis of staffing levels and vacancy rates in trust costing teams, but anecdotal evidence indicates that there is a high turnover especially amongst more experienced costing leads, and that trusts are struggling to recruit staff with the right skills and experience.

As integrated care boards and their associated systems become more embedded we expect to see a greater emphasis on system wide collaboration and service transformation. Costing teams within systems will be expected to work closely to support this and we expect to see some teams coming together in staffing models such as the costing hub within Mid and South Essex Integrated Care System. This places even greater emphasis on the need to recruit and retain experienced costing practitioners and ensure that the balance between national and local priorities is appropriate.

Costing practitioners regularly express frustration due to the issues outlined throughout this briefing, including the burden of producing the NCC and the implementation requirements for complex and disproportionate costing standards. They also state that the delayed publication of national cost information in recent years adds to this frustration as it is often too out of date to be used for meaningful comparison and analysis.

In addition, the restructures within NHS England and the merger with NHS Digital have impacted recruitment, retention and decision making at a national level. The impact of this has already been seen in the delays and challenges associated with the 2022/23 NCC submission and we remain concerned that there is no clear timetable for publication of the 2022/23 data.

We are also concerned that the reduced headcount in the costing team at NHS England will detrimentally impact the success of implementing any outcomes from the future of costing project.

Decisions made about changes to the national costing approach are transparent.

We welcome the opportunity for costing practitioners and other stakeholders to be involved in the future of costing project, and that the project meetings are co-chaired by two experienced costing practitioners. However, we are concerned about the delays and the limited progress of the project to date.

It has also come to our attention that some costing practitioners remain unaware of the project and have not been given an opportunity to contribute. While we recognise that effective change can only be driven by an optimally sized project group, we recommend that the costing newsletter is used to provide regular updates and that the wider costing community are invited to submit comments and feedback ahead of any changes being implemented.

We note that there is not currently a formal consultation period ahead of the annual publication of the *Approved costing guidance*, and that therefore any changes included in the guidance are not subject to consultation. We recommend that this is reintroduced to bring the costing team in line with other functions within NHS England.

The development of the national costing approach is done in close partnership with local teams.

As noted throughout this briefing we welcome the NHS England future of costing project and involvement of practitioners and key stakeholders but are concerned about the limited progress to date. As a result, we are aware that there will be no change implemented ahead of the 2023/24 NCC submission and the earliest that any changes can be made is the 2024/25 collection.

We recognise that this has been a period of change and uncertainty in the NHS England costing team which has inevitably impacted on the pace of this project.

While we acknowledge that no significant planned changes to the 2023/24 NCC submission provides a degree of certainty for costing practitioners, the burden of producing the submission will remain high until any recommendation arising out of the future of costing project can be implemented.

Conclusion

The previous few years of the NCC have been difficult for both practitioners and the national team with delays to the submission of the NCC and to the subsequent publication of results. This has placed significant burden on costing practitioners at a time when their skills and the information that they produce are increasing required to support efforts to achieve long-term financial sustainability within individual trusts and wider health and social care systems.

The Healthcare Costing for Value Institute, wider HFMA and its members welcome the NHS England future of costing project. We recommend that any actions and changes to the NCC arising from the project are measured against the ten tests outlined in this briefing.

We are keen that changes to the production and submission of national costs are actioned as quickly as possible to reduce the future burden on costing practitioners and enable the release of time to support their local clinical teams. However, we recognise the scope of changes required will also need sufficient time to allowed for testing and implementation. We recommend that NHS England ensures that all stakeholders have the opportunity to contribute to and agree the final changes prior to them being mandated.

It is essential that the future of costing project is taken forward at a pace that will promote a successful outcome for all stakeholders but also ensures a solution that is future proofed and stable for the costing community. A core aim of the Institute is to promote the importance of, and drive improvements in, NHS costing. We remain keen to continue to work with NHS England to support the review of national costing requirements through both our involvement in the project and support of any work required to implement and promote any actions arising.

Footnotes

HFMA, What does good look like for costing in the NHS?, September 2021

NHS England, Approved costing guidance

NHS England, Federated data platform, accessed February 2024

HFMA, Using PLICS to drive service improvement- Nottingham's Wave programme, May 2022

HFMA, Options explored for more frequent cost submission, April 2021

HFMA, What does good look like for costing in the NHS?, September 2021

The FutureNHS collaboration platform supports people working in health and social care to make changes, improvements and transformation across organisations, places and professions. Members of the platform can join or create workspaces and communities to connect with others, learn and share.

NHS Digital (merged with NHS England from April 2023), Data collections and data sets, accessed February 2024

HFMA, A vision for system costing, January 2024

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The Healthcare Financial Management Association (HFMA) is the professional body for finance staff in healthcare. For over 70 years, it has provided independent and objective advice to its members and the wider healthcare community. It is a charitable organisation that promotes best practice and innovation in financial management and governance across the UK health economy through its local and national networks.

The association also analyses and responds to national policy and aims to exert influence in shaping the wider healthcare agenda. It has particular interest in promoting the highest professional standards in financial management and governance and is keen to work with other organisations to promote approaches that really are 'fit for purpose' and effective.

The HFMA offers a range of qualifications in healthcare business and finance at undergraduate and postgraduate level and can provide a route to an MBA in healthcare finance.

Healthcare Financial Management Association (HFMA) is a registered charity in England and Wales, no 1114463 and Scotland, no SCO41994. HFMA is also a limited company registered in England and Wales, no 5787972. Registered office:
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