



# Using patient-level costing as a tool to add value

## MBA in healthcare finance

The final assessment for learners completing the MBA in healthcare finance requires them to complete a consultancy project on an aspect of healthcare finance. These projects have provided valuable research on a range of topics, which may be of interest to others.

The MBA in healthcare finance was developed in response to the scale of the financial and operational changes in the NHS. Financial acumen alone is no longer enough. There is now an increasing need for professionals who understand the need for quality of service and people management in addition to financial information. Graduates of the HFMA advanced higher diploma in healthcare business and finance are eligible for entry onto the programme. Further information on the range of HFMA qualifications in healthcare business and finance can be found on the [HFMA website](#).

The healthcare consultancy project is one of three modules completed in the final year. The HFMA provided non-academic support to learners, supplementing that provided by BPP University. This summary, along with the full project, sets out research that may be useful to other NHS finance professionals. It does not represent the views of the HFMA.

In this project, Ed Gold, Head of Costing & Income at East Suffolk and North Essex NHS Foundation Trust, examined how patient-level costing could be used as a tool to add technical value within healthcare systems.



# Is patient- level costing a potential tool to add technical value within healthcare systems?

## Aim

The research paper examined the concept of value and how patient-level cost data could be used to improve value at a system level, in particular focussing on technical value.

## Background

Published literature examining the concept of value in healthcare was reviewed; in particular Porter's Value Equation (Porter, 2010) was evaluated in contrast to the Triple Value concept proposed by Muir Gray (2015). Kaplan and Porter (2011) identified time driven activity-based costing as a potential tool to increase value, which in the NHS has taken the form of patient-level costing. This tool is particularly applicable to the 'technical value' stream of the Triple Value concept, although it was noted that it intertwines with personal value where improvements benefit both service efficiency and improve patient experience.

Various case studies published by NHS England and NHS Improvement, HFMA and others demonstrate that improvements in technical value are possible through the use of patient-level costing within the NHS. It was notable though that these were almost entirely within individual organisations, and where system use is discussed it has been in terms of 'early thoughts' or planned benefits rather than successes delivered.

A review of case studies from outside the NHS revealed a similar picture – most studies were internally focussed, and where a system dimension was considered the methodology was not comparable to patient-level costing within the NHS. One example was identified (Bailiwick of Jersey) where benefits did appear to have been delivered, although no published paper on this was found.

## Research aim

Having demonstrated the theoretical case for using patient-level costing data to improve technical value, and found examples within organisations where this has been delivered, a survey of costing practitioners was conducted to establish the extent to which patient-level cost data is currently being used both within organisations and across organisational boundaries. This exploratory study also examined barriers to adoption and use at a system level.

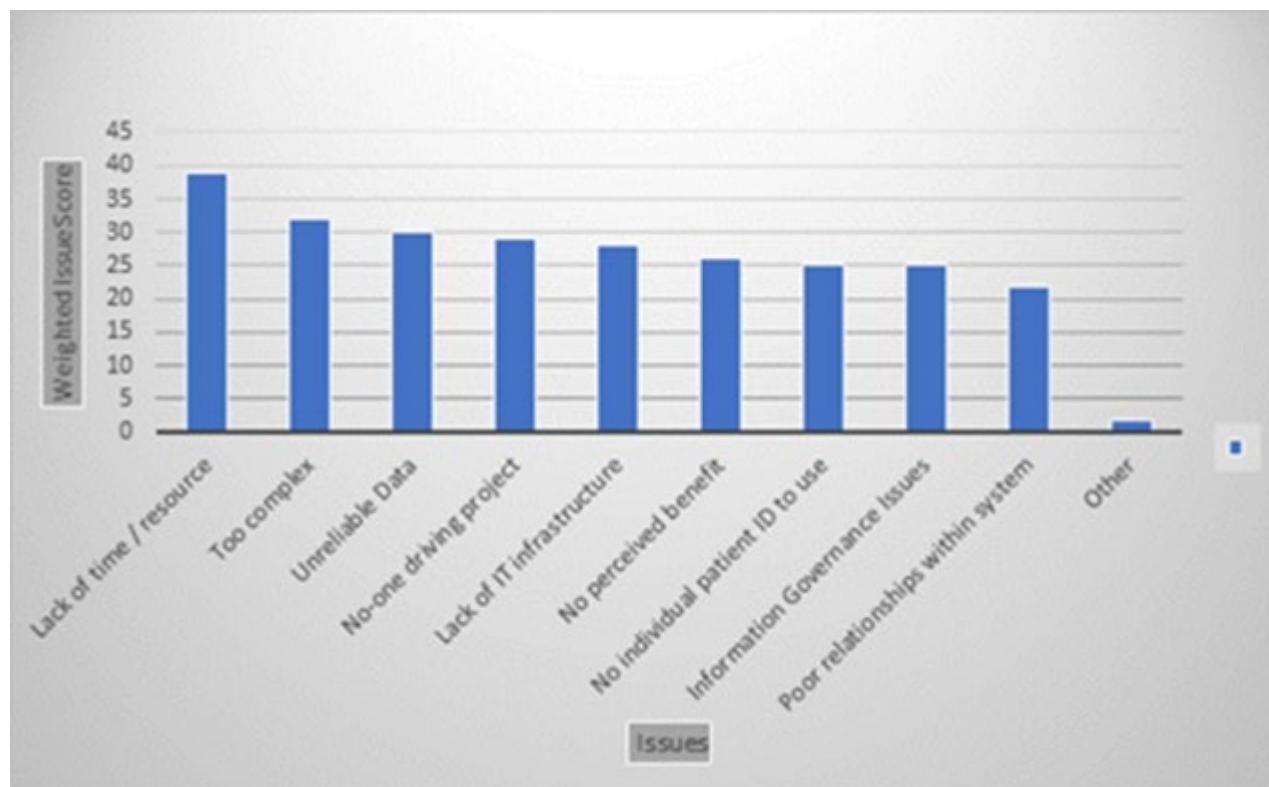
## Results of research

The results were surprising in that while using patient-level cost data was used to complete central returns such as the National Cost Collection, only 42% frequently used it for benchmarking purposes, and around 50% of respondents reported rarely or never using patient-level cost data for any other purpose.

Given the lack of take-up within organisations it was then not surprising that the research revealed very little use of patient-level data at a supra organisational level. No system that responded is combining data across all sectors, although some reported combining data with 'some' other organisations (mostly in the acute sector). No system reported combining GP, ambulance or social care data. Interestingly very few reported any plans to do this: 100% had no plans for GP and social care data, and over 90% had no plans for independent sector or ambulance data, 80% for mental health data. Even in the acute sector where patient-level costing is arguably more developed

through longer usage, among organisations that do frequently use their patient-level cost data internally, two out of three have no plans to combine their data with other organisations.

The final area considered by the research was to understand the reasons why costing practitioners felt that patient-level data was not being used at system level. A clear message emerged around the lack of time and resource that would be available to implement a complex project such as this. This was followed by an issue of leadership which is perhaps understandable given the newness of systems and the impact of the pandemic.



The positive theme that emerged though was the perception that relationships within systems would not be a significant barrier to implementation.

## Conclusion

The conclusion drawn is that without using patient-level data at an organisational level, systems are not progressing work at a supra organisational level, and the potential benefits for value creation remain theoretical. As a result, system leaders need to champion the use of patient-level data both within and without their own organisations to increase technical value for the NHS overall.

[Read the full research project here.](#)

## About the HFMA

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. The qualifications are delivered through HFMA's Academy which was launched in 2017 and has already established strong learner and alumni networks.

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