

What does good look like for costing in the NHS?

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Summary

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.

Costing teams spend the majority of their time on the annual National cost collection. As a result, they have little time to support clinical teams to use the cost data to improve value. Published cost data is fed back to local health systems too late to be of use, and not in a way that supports systems to deliver improvements in patient care and efficiencies.

The current review of the frequency of the National cost collection by NHS England and NHS Improvement makes this a good time for HFMA members to set out what they think good looks like for costing. Their view is that the potential for costing is massive, but unlocking the potential requires a fundamental reset of the approach to costing in England. While more frequent cost collections may be of benefit in future, this approach should not be adopted until the following ten tests are met (see overleaf).

What does good look like for costing in the NHS?

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

The rest of this briefing provides more detail about each of the ten tests.

What does good look like for costing?

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

Costing has a major role to play in supporting the delivery of sustainable services across the NHS. It should underpin decision-making, ensuring local decisions made by clinical teams are informed by a clear understanding of current costs and the likely costs of new ways of working. Good cost and activity data at the patient level can help health economies to understand variations in care and highlight opportunities for reducing waste and improving patient care.

Cost data is currently not regularly used in local decision-making across England, although there are some examples of good practice. The majority of time spent on costing by finance staff is devoted to the National cost collection, not to supporting the use of cost data by clinical teams to improve value.

Costing supports the future information requirements of the NHS

The NHS landscape has significantly changed since the Costing Transformation Programme was launched. Understanding the future information and data requirements of a wide range of stakeholders is vital. These are likely to include:

Improving patient pathways

The NHS is moving to a more collaborative, integrated approach to designing, planning and delivering health services across local systems. Good-quality data is fundamental to providing the right care to the right patient in the right place. Patient-level costing information is integral to the decisions that need to be made across multiple services, pathways and organisations in order to manage current services and determine the future models of care.

Delivering better value

Future payment systems will support the activities that improve patient care and experience, and focus on the costs of care rather than price. Robust cost data has a major role to play in supporting the delivery of high-quality sustainable services across the NHS, providing the evidence of how resources are used, and supporting the reduction in unwarranted variation.

Tackling health inequalities

The Covid-19 pandemic has starkly highlighted the impact that inequalities can have on health and many NHS programmes seek to tackle this issue. Robust cost data is needed to support the delivery of improvements.

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

Feeding back cost data from the National cost collection is essential to promoting the use of cost data for local decision-making. The way that it is currently fed back is not helpful for local use. The data is published too late and has a significant amount of redacted data that makes the benchmarking of high-cost low volume activity impossible.

Cost data should be:

- fed back in a timely manner so that it is still relevant
- detailed enough to inform benchmarking
- easily available to NHS trusts and integrated care systems
- presented in a way that facilitates an understanding of costs and pathways at a system level, including where a patient is cared for by different providers.

'Trusts submit a lot of data as part of the National cost collection, but very little is used in the PLICS portal. We need to be able to drill down to understand variations in cost.' HFMA member

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.

National costing standards are important to ensure a consistent approach to patient-level costing. However, the level of resources consumed to produce the cost data as specified by the current costing standards is not proportionate to the benefits they provide. The complexity of the standards encourages cost accountants to get lost in the detail that is of little benefit, rather than supporting them to understand the big picture and getting the big-ticket items right. This has an impact on the quality of the costing data and means that there is little time for costing data to be used locally to support improvements in efficiency and value.

The costing standards need a fundamental re-write to make them fit for purpose:

- the methodologies should encourage cost accountants to focus primarily on principles and getting the big numbers right, and be far less prescriptive about non-material items
- the standards should be achievable by all trusts, only requiring data that is already available in a mandated data set
- new methodologies should be robustly road tested before being mandated
- where possible standards should encourage the automation of costing processes.

There is a single version of cost data that can be used both locally and nationally

Trusts should have one costing system which can generate cost data for local use as well as for the national cost collection.

Currently this is often not the case with trusts running two different cost models in order to both meet the National cost collection requirements and provide data in a format asked for by local finance directors and clinical teams.

Less prescriptive costing standards, together with additional mapping tables within local costing systems, would support the generation of cost data that could be used locally and nationally, and reduce the time spent on costing.

Local leaders ensure that there are robust data governance processes in place for the non-financial data required for costing

To generate reliable and robust cost information, costing accountants need access to high-quality data that describes the needs of the patients and the treatments received. Even with the best costing processes in place, if the data from the clinical and operational feed systems is of poor quality, this will lead to inaccurate cost data.

A survey of Institute members showed that there are significant problems with the quality of the data building blocks required for costing.^{1 2} NHS health leaders need to focus on improving data quality to support value-based decision-making.

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

As noted earlier, the complexity of the National cost collection means that cost accountants have little time to support the use of cost data locally. Simplifying the National cost collection would mean that cost accountants have more time to support clinical teams to use the cost data to improve value, which they see as a key part of their role.

The costing function should be integrated within the finance department and the work of operational management teams. Increased scrutiny of cost data, rather than just the traditional finance reports, would ensure services use the information to identify opportunities to improve value.

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

Members report that they struggle to recruit and retain finance staff with costing skills, which means that small costing teams struggle to meet the requirements of the National cost collection and support the use of cost data locally.

Costing teams at a local and national level need to be adequately resourced with finance and informatics staff who have the right range of skills, knowledge and experience. Technical skills include knowledge of the costing system, SQL and database skills. Engagement and communication skills are also required to embed a culture of using costing information to support improvements in patient care.

Decisions made about changes to the national costing approach are transparent

The decision-making process about changes to the national costing approach should be transparent. This includes sharing information generated through the consultation process and publicising the names of those on the steering group.

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

The expertise and experience of costing at the 'front line' should be harnessed when developing the national costing approach.

Members report frustration that this expertise and experience is not always taken account of by the national costing team when developing the standards, and they don't always feel that their views are taken account of. A more collaborative approach to developing the national costing approach would help make sure that the standards were achievable and delivered high-quality cost data.

¹ Costing and data quality: improving the quality of non-financial data required for costing (hfma.org.uk)

² Improving data quality for costing community and mental health services (hfma.org.uk)

About the Healthcare Costing for Value Institute

HFMA's Institute champions the importance of value-based healthcare for supporting the delivery of high-quality financially sustainable healthcare. Through its member network, it supports the NHS to improve costing and make the most of patient-level cost data to drive improvements in patient care and deliver efficiencies. By bringing together senior finance and clinicians to explore what value means, the Institute helps the NHS to turn the theory of value into practice and make value-based healthcare a reality.

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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