



THE SCOTTISH OFFICE

COMMON SERVICES AGENCY

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National Health Service in Scotland  
Management Executive

St. Andrew's House  
Edinburgh EH1 3DG

REFERRED TO ACTION TAKEN

Dear Colleague

**COSTING FOR CONTRACTING: FINAL  
RECOMMENDATIONS OF THE NATIONAL COSTING  
PROJECT FOR ACUTE PROVIDERS**

October 1994

**Summary**

1. This letter accompanies the full recommendations of the National Costing Project. The report entitled 'The Foundations for Effective Contracting' sets out the approach to costing for the 1995/96 contracting round and additional requirements for 1997/97 and beyond.

2. The report deals with currencies and methodologies for use in contracting for acute services which rests upon coded clinical data. A phased introduction is recommended on the basis of the work undertaken in the pilot sites.

**Action**

3. All acute providers must draw up profiles of resource use for individual codes or groups of codes at ICD9/OPCS4 4th digit level.

4. Profiles should be prepared for those key diagnoses and procedures that account for 80% of activity together with profiles for low volume - high cost activity. Remaining workload can be grouped as appropriate, by agreement with clinicians.

5. For 1995/96, providers should concentrate on 4 specialties: general medicine, orthopaedic surgery, urology and gynaecology. If these 4 do not make up at least 40% of the activity of an individual provider, then additional specialties must be costed until the threshold is met or exceeded.

6. For the remaining activity, a common methodology must be followed to allocate costs down to specialty areas as a minimum.

**Addressees:**

**For Action:**

Chief Executives,  
NHS Trusts  
General Managers,  
Health Boards

**For Information:**

Medical Directors,  
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7. Providers should base price lists on the results of the minimum cost allocation methodology for all specialties for the end of November. Prices indicated to purchasers at the end of January should be derived from costed resource profiles in the specified specialties.

*Yours sincerely,*

*W. Thurni*

*for* GEOFF SCAIFE  
Chief Executive