THE SCOTTISH OFFICE

National Health Service in Scotland
Management Executive

9657

NHS
MEL(1995)41

St. Andrew's House
Edinburgh EH1 3DG

30 June 1995

Dear Colleague

NATIONAL COSTING PROJECT: REQUIREMENTS FOR 1996/97

Summary

1. This letter outlines the requirements for Acute Providers in respect of Costing of Services in support of the 1996/97 contracting round and describes further work to be carried out as a result of the costing project's activities. Feedback from the project's work so far is attached.

Action

2. Trusts should begin work now to:

- cost all specialties using the resource profile approach outlined in the NCP's guidance 'the Foundations for Effective Contracting', issued in September 1994 under cover of MEL(1994)103;

- prepare draft contract prices for Boards, GP Fundholders and ECRs, based on the above approach, by 30 November 1995.

3. Purchasers should be aware that costed information in this format will be available from providers and should make use of this in the 1996/97 contracting round.

Other Information

4. Feedback from Trusts regarding the Project's output has been positive and indicates broad support for the methodology. Guidance on 1996/97 requirements is being issued early to overcome the problems of timescale experienced for 1995/96 and to encourage effective clinical involvement.

Addressees

For action:
General Managers,
Health Boards

Chief Executives,
NHS Trusts

For information:
General Manager,
Common Services Agency

General Manager,
State Hospitals Board for Scotland

General Manager,
Health Education Board for Scotland

Executive Director,
SCPMDE

Enquiries to:

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5. The methodology outlined under MEL(1994)103 will apply to 1996/97 costing and pricing. Work is in hand to refine the guidance and address areas not covered previously.

6. Further work will take place on a pilot basis to test the use of HRGs in Scotland and to develop methodologies for linking the costing guidance already developed with HRGs. The results of this work together with an education and training programme will be made available later in the year to allow Trusts to develop their own HRG costings.

7. The attachment to this letter consists of a brief report on the evaluation of the costing guidance. A disc containing data, in anonymised form obtained from Trust questionnaire responses on costs and activity in selected specialties at diagnosis and procedure level, is available from Michael Pryor, NHSME Trust Finance Unit.

Yours sincerely

Simon Featherstone.

SIMON FEATHERSTONE
Director of Finance

Evaluation of NCP Costing Guidance for 1995/96

Summary of General Comments

Section A - What was Costed?

* large number of profiles (average 47 per specialty) were costed by trusts for the major specialties;

* major proportion of trusts costed four or more specialties bottom up reaching more than 40% of total activity.

Section B - Costing Section

General

* positive results in that most trusts stated that the costing guidance had influenced tariffs, specifically for ECRs and main purchasers.

Top Down Costing

* general agreement that the top down costing methodology was acceptable and understandable by all trusts;

* problems identified in availability of reliable data for allocating costs to specialties;

* general agreement that the timescales were too tight to allocate costs accurately;

* some progress is required understanding cost behaviour.

Bottom Up Costing

* significant numbers of trusts were using clinical resource profiles prior to the issuing of the costing guidance;

* general agreement on the acceptability of the bottom up methodology;

* major problems generally related to a lack of time to carry out bottom up methodology fully;

* lack of sufficient clinical input due to availability, and in some cases, a lack of co-operation;

* lack of comprehensive information from feeder systems to create accurate resource profiles;

* generally disappointing results in terms of improving clinical understanding of costing issues;

* there was general agreement that the guidance was useful, if a little late;

* more guidance is required in the costing of outpatients and priority services, and on the adoption of HRGs into the process.

Section C - Clinical Involvement

* positive results were evident with regard to clinical involvement and co-operation. However this is at odds with the results in Section B indicating that although clinicians were involved this was not deemed sufficient to enhance the costing process.

Section E - General Comments

* need more time to implement the guidance;

* require sharing of experiences through meetings/workshops with other providers;

* requirement identified for benchmarking on prices, length of stay, and other major cost drivers;

* general enhancement of information systems required, specifically feeder systems.