

Report to:	Trust Board – 30 th May 2013	Enclosure No 9
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Title	Board approval of the costing process that supports the reference cost submission
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Purpose	
Previously considered by	Finance Committee – 28 May 2013

Executive Summary
<p>The 2012/13 Reference Cost submission process requires Board level approval of the methodologies used in producing the information. This paper provides a description of how the costing system produces both Service Line Reporting and the Reference Cost submission in accordance with Monitor’s approved costing guidance.</p>

Related SATH Objectives	SATH Sub-Objectives
Financial Strength: Building a sustainable future	FS3: Deliver a financial surplus of £1.2 million. FS4: Deliver Trust’s 5% implied efficiency target and support delivery of joint QIPP

Risk and Assurance Issues (including resilience risks)	
Equality and Diversity Issues	
Legal and Regulatory Issues	

Action required by the Trust Board
To APPROVE the costing process for 2012/13.

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2012/13 REFERENCE COST PROCESS

1. Introduction

Every year the Trust is required to make a Reference Cost submission to the Department of Health that details the costs of the activity the Trust undertakes. This data is then used to inform the national Payment by Results tariff setting process. A new requirement for 2012/13 (due in July) is for the Board to formally approve the costing process that underpins the submission.

This paper aims to detail the costing process that supports both Reference Costs and Service Line Reporting (SLR).

2. Background

In 2010 the Trust implemented Prodacapo, a Patient Level Information Costing System (PLICS) with a paper outlining the implementation journey reported to the finance committee in February 2010. This system has been used since then to report a Monthly SLR position to the Board and to complete the Trusts annual Reference Cost submission.

3. Methodology

The two main inputs to start the costing process are costs and activity. The costs are prepared in accordance with the principles and standards set out in Monitor's approved costing guidance and are required to reconcile back to the final reported financial position. The activity is prepared in a similar way with reconciliation to the data the Trust has submitted for payment via the Secondary Uses Service (SUS). Once the activity and quantum of costs are defined the process within Prodacapo begins.

Prodacapo is an Activity Based Costing (ABC) system that requires all of the Trusts internal systems to link together in order to identify all of the activities that relate to a specific patient. To achieve this a data staging area has been created. This staging area takes extracts from the Trusts various information systems, "cleans" the data and creates cost drivers to link all the data to a unique patient spell identifier.

At present the Staging area uses the following data

Information	Source	Output
Admitted Patient Care	Mede analytics	Forms base data for all inpatient activity
Outpatient Attendances	Mede analytics	Forms base data for all outpatient activity
A&E attendances	Mede analytics	Forms base data for all A&E activity
Ward length of stay data	Mede analytics	Allows for ward costs to be apportioned to patients
Theatre data	Mede analytics	Theatre costs apportioned to individual patients
Pharmacy	Pharmacy system	High cost drugs and Pharmacist time apportioned to individual patients, other drugs apportioned to point of issue
Pathology	Telepath	Internal SaTH work apportioned to individual patients, direct access work mapped against the externally generated income.
Radiology	Radiology System	Internal SaTH work apportioned to individual patients, direct access work mapped against the externally generated income.
Therapy	CDS 7	Therapy costs apportioned to individual patients.

By using the base data from these systems it allows the costs to assigned at the most granular level, which is each patient episode or attendance. Once all the costs have been traced through the system it is possible to produce an itemised “bill” for every patient contact. We are then able to build up the costs for reporting at the level required, for example by specialty, consultant or (for the purposes of reference costs) HRG.

4. Validation

The validation of the SLR/PLICS mechanism takes place continuously with feedback received either directly to the costing team or via the Monthly SLR workshop attended by the Director of Finance, Centre Managers and Senior Finance Managers. Any changes to Prodacapo identified as a result of developments within SLR will impact on the Reference Cost submission.

There is also a further validation stage within the Reference Cost process that allows our submission to be compared against the National averages so we can identify and investigate significant variances.

5. Resourcing

The current resource level within the costing team (1.6 wte) and with support from the information team is sufficient to ensure the submission will be made in a timely manner without detriment to the SLR reporting process.