

Appendix 6: National Hospital Cost Data Collection

The National Hospital Cost Data Collection (NHCDC) was established to produce annual updates of Australian Refined Diagnosis Related Groups (AR-DRG) cost weights and estimated average costs, as incorporated into tables in Chapters 2, 4, 7 and 12. It is a voluntary collection of hospital cost and activity data covering the financial year prior to the collection period, undertaken by the Department of Health and Ageing. Both public and private hospital data are included, with the results being separately reported for the two sectors. The latest data available at the time of publication of this report were for the 2002–03 financial year (Round 7) (DoHA 2004).

In the 2002–03 collection, cost data were obtained for products other than acute admitted patients, such as outpatient care, emergency department care, admitted patient rehabilitation care, admitted patient palliative care, outreach/community, teaching and research. However, this report uses the cost data for acute admitted patients only, that is, for AR-DRGs version 4.2. (Cost weight data for 2003–04 for AR-DRGs version 4.2 were not available at the time of publication.)

The NHCDC involves arrangements whereby the hospital data are collected by the individual hospitals, and checked and validated by state/territory/private sector coordinators before being passed onto the department. The production and publication of the final cost weights and associated tables follows extensive quality assurance procedures undertaken by the department, and endorsement of the results by the states and territories.

The number of public hospitals included in the collection in 2002–03 was 204. Whilst the coverage of public hospitals was approximately 40.5% of total hospitals, the total number of separations was approximately 78.8% of the estimated total population of separations, because of the significant number of large teaching hospitals in the sample. A total of 113 private hospitals contributed to the collection, representing about 51% of all private hospitals and 65.1% of private hospital separations.

The participating hospitals include both patient costing and cost modelling sites. Cost modelling generally refers to a process where estimates of costs are produced at the level of each AR-DRG. The approach is 'top down' where costs from the hospitals' general ledgers are allocated down to acute admitted patients using a series of allocation statistics. Patient costing or clinical costing is a 'bottom up' approach where the costs of each service provided to an individual patient are measured or estimated so that the total cost of treating individual patients is obtained. The majority of participating hospitals are cost modelled sites.

The average cost per separation for 2002–03 was estimated at \$2,952 for public hospitals and \$2,396 for private hospitals. Both these estimates included estimates for depreciation.

Further information is provided in the NHCDC report for 2002–03 (DoHA 2004). Cost weights and associated tables for this round and the previous six rounds can be obtained from the Department of Health and Ageing or on the Casemix website at www.health.gov.au.