

Appendix 3: 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. The NHCDC is a voluntary collection of hospital cost and activity data covering the financial year before the collection period, and is coordinated by the Department of Health and Ageing. Both public and private hospital data are included, with the results separately reported for the two sectors. The latest data available at the time of publication of this report were for the 2004–05 financial year (Round 9) for public hospitals (DoHA 2006a) and the 2002–03 financial year (Round 7) for private hospitals (DoHA 2004a).

This report uses the cost data for acute admitted patients only. Unless otherwise specified, the cost weight data in this report for both public and private hospitals use AR-DRG version 5.0 and cost weight data for AR-DRG version 5.0 (DoHA 2002).

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 on to the Department of Health and Ageing. The production and publication of the final cost weights and associated tables follow extensive quality assurance procedures undertaken by the department, and endorsement of the results by the states and territories. The participating hospitals include both patient costing and cost modelling sites. Cost modelling refers to a process where estimates of costs are produced at the level of each AR-DRG. Cost modelling is a 'top down' approach where costs from the hospitals' general ledgers are allocated to acute admitted patients using a series of allocation statistics. Patient costing is a 'bottom up' approach where the costs of each service provided to an individual patient are measured or estimated to obtain the total cost of treating individual patients. In 2004–05 about 52% of participating hospitals were cost modelled sites.

In 2004–05, 226 public hospitals were included in the collection. Although the coverage of public hospitals was approximately 45% of all public hospitals, the total number of separations was approximately 87% of total acute separations within the year (DoHA 2006a). The average cost per separation was estimated at \$3,332 for public hospitals for 2004–05. This estimate includes an estimate for depreciation.

Further information is provided in the NHCDC report for 2004–05 (DoHA 2006a). Cost weights and associated tables for each round of the NHCDC can be obtained from the Department of Health and Ageing on the Casemix website at <www.health.gov.au>.