

Appendix 8: The National Hospital Cost Data Collection

The National Hospital Cost Data Collection (NHCDC) was established to produce annual updates of Diagnosis Related Groups (DRG) cost weights and estimated average costs, as incorporated into tables in Chapters 2, 4, 6 and 11. 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 1999–00 financial year (Round 4) (DHAC 2001).

In the 1999–00 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 Australian Refined Diagnosis Related Groups (AR-DRG) version 4.1. (Cost weight data for 2000–01 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 1999–00 was 184. Whilst the coverage of public hospitals was approximately 36% of total hospitals, the total number of separations was approximately 75% of the estimated total population of separations, because of the significant number of large teaching hospitals in the sample. A total of 62 private hospitals contributed to the collection, representing about 30% of all private hospitals and 39% 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 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 1999–00 was estimated at \$2,547 for public hospitals and \$2,091 for private hospitals. Both these estimates included estimates for depreciation.

Further information is provided in the NHCDC report for 1999–00 (Department of Health and Aged Care 2001). Cost weights and associated tables for the this round and the previous three rounds can be obtained from the Costing and Ambulatory Section, Acute and Co-ordinated Care Branch, Commonwealth Department of Health and Ageing (Phone 02 6289 8272) or on the Casemix website, www.health.gov.au/casemix/.