



Outsourced To In-House Costing

Barwon Health

Organisation Real Name : Barwon Health

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Key Problem

- Low level of knowledge or confidence in cost data internally
- Cost data under utilised in decision making or benchmarking
- Victorian Department of Health demands for improved cost data quality, completeness and breadth increasing
- External audits of clinical costing recommended improvement in costing processes and governance

Aim of this Innovation

- Build knowledge, experience and confidence in clinical costing data, methodology and standards internally
- Ensure all business area activity is captured and allocated in the clinical costing system
- Engage business areas in cost data review and utilisation in decision making and performance monitoring
- Use clinical costing data to support the budgeting process
- Formalise a governance process to ensure cost data is validated and complete before release
- Increase the frequency of cost data processing to improve relevance and facilitate more timely enhancements to costing

Baseline Data / Current Situation

- Cost data processing and submission outsourced to third party costing consultancy
- No dedicated resources for development and maintenance of source system data extracts
- Low engagement with business areas in relation to clinical costing
- Strategic shift from compliance activity to internal utilisation of cost data in decision making and performance monitoring

Key Changes Implemented

- Support from CFO and CIO secured
- One full time resource seconded to clinical costing for 9 months initially with the intent to extend term
- Interest and support from Senior Finance Business Partners
- Clinical costing system installed within Barwon Health
- Key staff from Finance and Decision Support teams trained in clinical costing concepts
- Re-joined the Victorian Clinical Costing User Group

Outcomes so far

- 5 months into in-house implementation
- Completed review and enhancement of existing data extracts
- Developed 6 new data extracts for services and encounters
- Completed review of finance general ledger alignment to Victorian Cost Data Collection (VCDC) specifications
- Completed initial review and adjustment of allocation methodology, service code mapping and linking
- VCDC submission deadlines achieved to date
- Quality Assurance reports currently under review
- Business engagement activities started

Lessons Learnt

- Executive level support and leadership is crucial
- A sophisticated clinical costing system and with vendor support is essential
- Dedicate resource(s) internally in addition to senior finance business partners
- Engage with business areas to understand activity and determine cost allocation
- Connect with costing professionals at other hospitals to learn and align with standards based costing methodology

Forward Plan

- Develop reports and surface at regular business area meetings
- Develop and embed a cost data governance policy and data integrity processes
- Benchmark with other organisations
- Build costing team
- Increase frequency of costing to quarterly initially
- Iteratively improve quality of cost data
- Use costing data to build budgets and monitor financial position
- Bring revenue into costing system to facilitate profit and loss analysis

Contact for this Innovation

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Innovation Title: Outsourced to In-House Costing

Health Service : Barwon Health

Problem: A low level of knowledge or confidence in cost data internally translated into cost data being under utilised in decision making or benchmarking. Demands for improved cost data quality, completeness and breadth are increasing due to the transition to activity based funding from block/grant funding models. External audits of clinical costing at Barwon Health have recommended improvement in costing processes and governance.

Solution: With support from CFO and CIO, responsibility for clinical costing was brought in-house. One full time resource was seconded to focus on clinical costing and supported by Senior Finance Business Partners. A costing system was installed with training and ongoing support and guidance from the vendor. Re-joined the Victorian Clinical Costing User Group. Review and adjustment of data extracts, costing general ledger configuration, cost allocation, linking rules and reference data mapping. VCDC submission deadlines achieved to date and business engagement has commenced.

Results: Barwon Health are currently 5 months into in-house implementation of clinical costing. Costing system configuration review and adjustment has been completed. Submission of cost data to the Victorian Cost Data Collection has been achieved within deadlines and quality assurance review is currently underway. Confidence in the accuracy of cost data is increasing as knowledge of costing methodology and system configuration builds. Dedicated resource(s) to clinical costing and executive level support for the utilisation of cost data is crucial. Business area engagement is essential to the correct alignment of activity to cost and to build the confidence to utilise cost data in decision making. Connecting with costing professionals from other hospitals facilitates knowledge transfer and consistency in the application of costing standards and methodologies.

