



**Australian Government**  
**Department of Health and Ageing**

Mr Michael Roff  
Executive Director  
Australian Private Hospitals Association  
25 Napier Close  
Deakin ACT 2600



Dear Mr Roff

**Continuation of Private Hospital Casemix Activity**

Thank you for our meeting of 10 November 2004, along with Catholic Health Australia, about the future of the Private Hospital Cost Collection and other private hospital casemix activities currently conducted by the Department.

As advised in my e-mail of 26 October, the Department will no longer be fully funding private hospital casemix activity which is not required by legislation. This has implications for the Private Hospital Cost Collection, the Day Hospital Cost Collection and some other discretionary functions.

The private hospitals and health insurance funds may be interested in having some or all of these activities continue and the Department would like to explore the possibility of continuing them on a cost-shared basis. Attached are details of the Department's annual expenditure on these activities which the Australian Private Hospitals Association might like to consider in conjunction with other interested parties. The summary shows a total of \$640,000 in annual departmental expenses on private hospital-specific activity. The summary also outlines the considerable continuing investment in intellectual property the Department makes in supporting the National Casemix Infrastructure through the updating of the classifications, groupers and service weights. In considering the possibilities for cost sharing, I would view this investment as the basis for the Department's ongoing contribution.

As I advised at our meeting, the Department will not be moving with undue haste to cease activity in this area. We will be completing the current round of the Private Hospitals Cost Collection. We are also willing to consider a transition period to any new arrangement, with possible starting dates of as late as 1 March 2005. If you would like to discuss this letter in more detail, I can be contacted on telephone 6289-8706.

Yours sincerely

Simon Cotterell  
Assistant Secretary  
Acute Care Development Branch  
16 November 2004

## Private Casemix Activity: Summary of Costs (per annum)

*Note: All Staff and contractor costs include full on-costs (office space, computer equipment, etc)*

### Costing Collections

#### Private Hospital Cost collection



#### Day Surgery Cost collection



### Other Activity Over and Above Legislative Requirements

#### PHDB/ HCP Benchmarking Results Provided to Hospitals and Health Funds for Information



**Total Cost of all Private activities** **\$640,319**

### Departmental Funding to National Casemix (IP) Infrastructure Supporting Both Private and Public Hospital Casemix Activity

# Private Hospital Costing Collection Costing

## 1.0 Private Hospital Cost Collection

Days      Total Cost  
511.6 \$    542,853

### 1.1 Introduction

Task	Days	\$
Analysis of Costing Methodology	5	\$ 2,667
Defining requirements	2	\$ 1,067
Production of Hospital Information Package	4	\$ 2,133
Printing of Hospital Information Package	2	\$ 1,067
Mail out of Hospital Information Package	1	\$ 533
<b>Total Preliminary Stage</b>	<b>14</b>	<b>\$ 7,467</b>

### 1.2 Data Receipt

Task	Days	\$
Liaison with hospital	0.1	\$ 53
Receipt Data	0.2	\$ 107
Data Problems - GL, Episode, Ward profiles	0.5	\$ 267
Re-group Data	0.1	\$ 53
QA Checks	0.1	\$ 53
Resubmission data	0.1	\$ 53
<b>Total Receipt of Data per hospital</b>	<b>1.1</b>	
<b>120 Hospitals</b>	<b>132</b>	<b>\$ 70,400</b>

### 1.3 Costing Allocation

#### Small Hospital (<5,000 seps, 38 hospitals)

Task	Days	\$
Formatting of general ledger	0.1	\$ 53
Cost Centre Definition	0.15	\$ 80
Cost Item Definition	0.5	\$ 267
Processing of patient file	0.1	\$ 53
Processing of ward transfer file	0.1	\$ 53
Volume file creation	0.3	\$ 160
Allocation statistics	0.2	\$ 107
QA Checks - Charges, National	0.2	\$ 107
<b>Total Costing per Hospital</b>	<b>1.65</b>	<b>\$ 880</b>
<b>Private Hospital Costing 38 Hospitals</b>	<b>62.7</b>	<b>\$ 33,440</b>

#### Medium Hospital (5,000-20,000 seps, 66 hospitals)

Task	Days	\$
Formatting of general ledger	0.1	\$ 53
Cost Centre Definition	0.2	\$ 107
Cost Item Definition	0.6	\$ 320
		\$ -
Processing of patient file	0.1	\$ 53
Processing of ward transfer file	0.15	\$ 80
Volume file creation	0.3	\$ 160
Allocation statistics	0.3	\$ 160
QA Checks - Charges, National	0.2	\$ 107
<b>Total Costing per Hospital</b>	<b>1.95</b>	<b>\$ 1,040</b>
<b>Private Hospital Costing 66 Hospitals</b>	<b>128.7</b>	<b>\$ 68,640</b>

#### Large Hospital (20,000+ seps, 16 hospitals)

Task	Days	\$
Formatting of general ledger	0.1	\$ 53
Cost Centre Definition	0.2	\$ 107
Cost Item Definition	3	\$ 1,600

		\$	-
Processing of patient file	0.1	\$	53
Processing of ward transfer file	0.1	\$	53
Volume file creation	0.3	\$	160
Allocation statistics	1.2	\$	640
QA Checks - Charges, National	0.2	\$	107
<b>Total Costing per Hospital</b>	<b>5.2</b>	<b>\$</b>	<b>2,773</b>
<b>Private Hospital Costing 16 Hospitals</b>	<b>83.2</b>	<b>\$</b>	<b>44,373</b>

#### **1.4 Hospital Report production**

Task	Days		\$
Generation	0.1	\$	53
Problems - Refinements	0.2	\$	107
Benchmarking Reports	0.1	\$	53
<b>Total Cost per Hospital</b>	<b>0.4</b>	<b>\$</b>	<b>213</b>
<b>Private Hospital Costing 120 Hospitals</b>	<b>48</b>	<b>\$</b>	<b>25,600</b>

#### **1.5 National results**

Task	Days		\$
Build National Database	8	\$	4,267
QA Check National Results	2	\$	1,067
QA Check Same day / Overnight results	2	\$	1,067
Estimation process	2	\$	1,067
Report back to hospitals	5	\$	2,667
National Sign off	4	\$	2,133
<b>Total Cost</b>	<b>23</b>	<b>\$</b>	<b>12,267</b>

#### **1.6 National Report**

Task	Days		\$
Writing	4	\$	2,133
Tables	2	\$	1,067
Printing & Production	3	\$	1,600
Mail out	1	\$	533
<b>Total Cost</b>	<b>10</b>	<b>\$</b>	<b>5,333</b>

#### **1.7 Training Hospital Costing**

10 \$ 5,333

#### **1.8 Costing Software**

\$ 50,000

#### **1.9 Contract Processing Hospitals**

\$ 100,000

#### **1.10 Contractor - Software development**

\$ 120,000

Hospital Episode Format program		\$	30,000
QA program		\$	20,000
Costing application development		\$	70,000

#### **2.0 Day Surgery Cost Collection**

Days Total Cost  
124 \$ 66,133

#### **2.1 Introduction**

Task	Days		\$
Analysis of Costing Methodology	5	\$	2,667
Defining requirements	2	\$	1,067
Production of Hospital Information Package	4	\$	2,133
Printing of Hospital Information Package	2	\$	1,067
Mail out of Hospital Information Package	1	\$	533
<b>Total Preliminary Stage</b>	<b>14</b>	<b>\$</b>	<b>7,467</b>

#### **2.2 Data Receipt**

<b>Task</b>	<b>Days</b>	<b>\$</b>
Liaison with hospital	0.1	\$ 53
Receipt Data	0.2	\$ 107
Data Problems - GL, Episode, Ward profiles	0.5	\$ 267
Re-group Data	0.1	\$ 53
QA Checks	0.1	\$ 53
Resubmission data	0.1	\$ 53
<b>Total Receipt of Data per hospital</b>	<b>1.1</b>	<b>\$ 587</b>
<b>40 Hospitals</b>	<b>44</b>	<b>\$ 23,467</b>

### **2.3 Costing Allocation**

#### **Day Surgery**

<b>Task</b>	<b>Days</b>	<b>\$</b>
Formatting of general ledger	0.1	\$ 53
Cost Centre Definition	0.15	\$ 80
Cost Item Definition	0.5	\$ 267
Processing of patient file	0.1	\$ 53
Processing of ward transfer file	0.1	\$ 53
Volume file creation	0.3	\$ 160
Allocation statistics	0.2	\$ 107
QA Checks - Charges, National	0.2	\$ 107
<b>Total Costing per Hospital</b>	<b>1.65</b>	<b>\$ 880</b>
<b>Private Hospital Costing 40 Hospitals</b>	<b>66</b>	<b>\$ 35,200</b>

### **3.0 HCP / PHDB Benchmarking Results**

**Days**      **Total Cost**  
**43**    **\$ 32,933**

<b>Task</b>	<b>Days</b>	<b>\$</b>
Prepare National HCP Database	10	\$ 5,333
Prepare National PHDB Database	10	\$ 5,333
CD Production		\$ 10,000
Mail Out Results	3	\$ 1,600
Ad-Hoc Reporting	20	\$ 10,667