

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 Group (AR-DRG) cost weights and estimated average costs, as incorporated into tables in *Chapters 3, 4, 7, 8* and *9*. This report uses the cost data for acute admitted patients only. Unless otherwise specified, the cost weight data in this report applies cost weight data for AR-DRG version 5.1 (DoHA 2009) to the AR-DRGs reported in version 5.2.

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 2007–08 financial year (Round 12) for public hospitals and private hospitals (DoHA 2009).

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 2007–08, 241 public hospitals and 109 private hospitals were included in the collection. Although the coverage of public hospitals was approximately 47% of all public hospitals, the total number of separations was approximately 89% of total acute separations within the year. The coverage of private hospitals was approximately 48% of all private hospitals and the total number of acute separations was approximately 72% (DoHA 2009). The average cost per separation was estimated at \$3,907 for public hospitals and \$2,895 for private hospitals for 2007–08. The public hospitals’ estimate includes an estimate for depreciation.

Further information is provided in the NHCDC report for 2007–08 (DoHA 2009). 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>.