

Te Whatu Ora

Costing Standards

VERSION 24

July 2023 – June 2024

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# Change Schedule

**Changes between version 23 and 24**

|  |
| --- |
| **Schedule 1 – Cost Centre Categories** |
| No Change |
| **Schedule 2 – Cost Groups** |
| No Change |
| **Schedule 3 – Cost Centre Allocation Order** |
| No Change |
| **Schedule 4 – Overhead Allocation Methodology** |
| No Change |
| **Schedule 5 – Cost Exclusions / Inclusions** |
| No Change |
| **Schedule 6 – Treatment of Revenue** |
| No Change |
| **Schedule 7 – Intermediate Products** |
| No Change |
| **District Costing Guidelines**No Change |

# Introduction to Te Whatu Ora Costing Standards

**Purpose of Costing Standards**

The Costing Standards (“the Standards”) have been developed for use in the public health sector in New Zealand to provide standards for the costing of District services.

The main purposes of the Standards are to:

1. Ensure consistency in costing and cost allocation within the health sector.
2. Improve the quality of cost reporting.
3. Improve operational decision-making for hospital and community services
4. Provide better data for benchmarking.

**Origin of the Costing Standards**

Prior to the establishment of Te Whatu Ora, the CFO Technical Accounting Group (an affiliate of DHBNZ) and the Ministry of Health set up the Common Costing Group to review and update the Costing Standards. The result of that joint project was the District Health Board Costing Standards for application from 1 July 2005.

**Links with other Documents**

Costing systems require a sound definition base for quality costing. The companion documents that underpin the Costing Standards are:

* Current version of the Common Chart of Accounts (CCoA) or Financial Reporting Enabling Data (FRED).
* FTE specification in a supplement to the Common Chart of Accounts (CCoA).
* Current version of the Nationwide Service Framework (NSF) Data Dictionary.
* Common Counting Specification appended to the NSF Data Dictionary.
* NSF Service Specification.

**Activity-Based Costing (ABC)**

The costing standards are based on the principle that when determining the cost of a patient event it must be fully absorbed. To achieve this where possible, ABC methodologies will be applied. Other methods have been prescribed when ABC methods are not possible or practical e.g., the allocation of overheads.

# Explanatory Foreword to Te Whatu Ora Costing Standards

The purpose of this Explanatory Foreword is to:

* 1. Introduce the use of Costing Standards;
	2. Explain the relationship between the Costing Standards, Generally Accepted Accounting Practice (GAAP) and Financial Reporting Standards;
	3. To set out responsibilities in relation to the Costing Standards.
1. **TE WHATU ORA COSTING STANDARDS FRAMEWORK**
	1. The Costing Standards (“the Standards”) must be used for costing within Te Whatu Ora.
	2. The Standards apply from 1 July 2005.
	3. The Standards are rules that establish requirements for recognising, measuring and disclosing financial and non-financial costing information.
	4. The Standards set out specific rules to be used in an entity’s costing system when they have a material impact. Refinements are encouraged when they will contribute to improved cost reporting.
	5. The Standards have been developed around maximising three direct benefits for developing and utilising common costing methodologies. The benefits are:

**Funding**

The costing standards will:

1. Enable Districts to influence purchasing on the basis of like District products.
2. Enable fair and equitable pricing and costing processes.
3. Enable transparency in pricing and costing.
4. Discourage cost shifting.

**Resource Allocation**

Cost based pricing:

1. Leads to informed contract-based resource allocation.
2. Provides a direct relationship between volume and resources.
3. Provides a consistent methodology to allocate resources to products and services.

**Process Improvement**

Standards will allow internal Te Whatu Ora benchmarking and inter district comparative analysis of costs at the following levels:

* + 1. Cost Centres (CS1, Schedule 1)
		2. Cost Groups (CS2, Schedule 2)
		3. Cost Pools (CS7, Schedule 7)
	1. The Standards do not provide a prescriptive recommendation of the structure of the General Ledger; this is covered by the Common Chart of Accounts (CCoA) or Financial Reporting Enabling Data (FRED).
	2. The Costing Standards are to be considered as a living document and the Costing Standards will continue to be developed and amended as needs change.
1. **MATERIALITY**
	1. A statement, fact or item is deemed material if it is of such a nature or amount that its disclosure is likely to influence the users of the report in making decisions or assessments and/or 2% of the cost of the product/product-line being measured.
	2. Where statutes, regulations or rules and agreements binding on the entity, specify the form and content of reports, such specifications override considerations of materiality.
2. **RELATIONSHIP WITH GENERALLY ACCEPTED ACCOUNTING PRACTICE, LEGISLATIVE AND THE OPERATIONAL POLICY FRAMEWORK**
	1. Costing Standards are not intended to conflict with Generally Accepted Accounting Practice (GAAP) as described in accounting standards recommended by the Chartered Accountants Australia and New Zealand (CAANZ).
	2. In cases where there is a conflict between the Costing Standards and relevant Financial Reporting Standards, the requirements of the Financial Reporting Standards take precedence for published/external reports.
	3. Methods of costing required by the Operational Policy Framework (OPF), the Public Finance Act (PFA) and other legislation may be in addition to the requirements of Costing Standards.
	4. Compliance with Costing Standards will not necessarily ensure compliance with GAAP, OPF, PFA and other legislation applicable to a particular entity.
3. **COST REPORTS**
	1. The Standards are intended for application to all cost reports. Any limitation in the application of a Standard will be made clear in the text of that Standard.
	2. Cost reports should be based on accurate information.
	3. The Standards recommend that all districts demonstrate a transparent methodology for cost reports to enable users to assess whether a district is complying with the costing standards. Where districts are not complying, full disclosure is required to allow for comparative assessment of costing information.
	4. A balance between benefits and costs should be maintained when preparing cost reports and making disclosures in them. The benefits derived from information should meet or exceed the costs of providing it. Evaluation of benefits and costs is subjective.
	5. An objective of Costing Standards is to improve reporting comparability and therefore usefulness to users.
	6. Costing Standards deal with varying needs at a number of levels and on a number of dimensions.
4. **COSTING SYSTEMS**
	1. The Standards are expected to be complied and used as guidance in other costing exercises.
	2. Districts are expected to implement and continue developing costing systems that adhere to the common costing principles described in this document. The Standards recommend that all cost reporting documents are produced using the same basic building blocks described.
	3. The Standards are designed to reflect common and preferred practices within Te Whatu Ora. New Zealand practices reflect the unique environmental pressures at play in the public health sector and thus they may not reflect International standards.

# Summary of Te Whatu Ora Costing Schedules

Schedule 1 (CS1) – Cost Centre Categories

Schedule 2 (CS2) – Cost Groups

Schedule 3 (CS3) – Cost Centre Allocation Order

Schedule 4 (CS4) – Overhead Allocation Methodology

Schedule 5 (CS5) – Cost Exclusions / Inclusions

Schedule 6 (CS6) – Treatment of Revenue

Schedule 7 (CS7) – Intermediate Products

# SCHEDULE 1COST CENTER CATEGORIES

* 1. Introduction

Commentary

This Schedule provides a guideline for common classification within District costing systems.

Cost Centres are divisions, departments or units that perform functional activities within hospitals (Providing District). For each centre, cost accountability is maintained for revenues received and expenses incurred.

* 1. Application

Schedule

1.2.1 This Schedule applies to all district divisions.

1.2.2 The Cost Centre Categories set out in this Schedule shall apply to all costing reports where such application is of material consequence.

* 1. Statement of Purpose

The purpose of the Cost Centre Categories Schedule is to provide a guideline for common classification of Cost Centres in District costing systems.

For the purposes of this Standard, General Ledger Cost Centres can be divided into one of five general categories:

1. Patient Care and Patient Support Cost Centres
2. Overhead Cost Centres
3. Non-core Cost Centres (refer to CS5, Schedule 5 - Cost Exclusions/Inclusions)
4. District Governance
5. Planning and Funding Cost Centres
	1. Definitions
		1. PATIENT CARE AND PATIENT SUPPORT COST CENTRES

Commentary

1. Patient Care Cost Centres and Patient Support Cost Centres must be able to associate an identified product with a specific patient, either when the patient consumes the product (e.g. Lab test) or on some assignment basis (e.g. Pharmacy cost).
2. Patient Care and Patient Support costs typically vary with patient volume.
3. Costs are attributed to patient events according to identified patient utilisation as defined in terms of the intermediate products described in CS7, e.g. Wards, Labs, Medical, etc. (recorded at NHI level).
4. Assigned Patient Support costs reflect supplies consumed by patients, but not individually linked to the patient event.
5. Differences between Patient Care Cost Centres and Patient Support Cost Centres are minor for tracking the utilisation of resources at a patient level. Both types of Cost Centres undertake activities associated with a patient and ideally should both have intermediate cost products tracked to patient level. This is referred to in the Cost Centre Category below as attributed patient costs and reflects actual utilisation of cost products.

However, some Districts will not have patient activity collection systems which allow intermediate products to be interfaced to their costing systems for the Patient Support Cost Centres. In these circumstances, Patient Support Cost Centres should be assigned to the Patient Care Cost Centres which have ordered or consumed the service, using the Common Chart of Accounts (CCoA) or Financial Reporting Enabling Data (FRED) internal recharging account codes. This will ensure that all patient care and patient support costs are consistently reported as direct costs, regardless of the ability of the District to track utilisation at patient level for Patient Support Services.

For Districts with no costing systems, all cost is to be assigned to Patient Care Cost Centres, which become the lowest level of output costing for contract monitoring purposes. This form of resource tracking enables Districts to report contract performance by grouping relevant costs.

1. This issue is important for the design of common reporting methodologies that must take into account the fact that some Districts do not have costing systems.
	* 1. OVERHEAD COST CENTRES

Commentary

1. Overhead Cost Centres have no identifiable products that are consumed by publicly funded patients.
2. Overhead Cost Centres are not readily affected by changes in volume or patient mix.
3. Overhead Cost Centres provide a supporting role to the organisation.
4. Overhead costs should be allocated to other cost centres according to usage as outlined in Schedule 4 (CS4) - Overhead Allocation Methodology.
	* 1. NON-CORE COST CENTRES

Commentary

1. Non-core Cost Centres cover any cost which does not provide products or services directly or indirectly (as an infrastructure) to publicly funded patients. Examples of this might be research or a commercial venture such as laundry or catering services.
2. Non-core costs should be excluded from patient costs.
	* 1. DISTRICT GOVERNANCE PLANNING and FUNDING COST CENTRES

Commentary

1. The district structure includes governance functions of Population Health Planning and Health Service funding. Some of these costs relate to Health Services funded by Te Whatu Ora, but provided by NGOs and other primary providers so need to be allocated to separate cost centres.
2. Governance, Planning and Funding Cost Centres may receive costs allocated from the District Overhead Cost Centres where this is appropriate according to usage as outlined in Schedule 4 (CS4) - Overhead Allocation Methodology.
3. Governance Cost Centres may also allocate costs to the District Provider Arm Cost Centres where this is appropriate according to usage as outlined in Schedule 4 (CS4) - Overhead Allocation Methodology.
4. Planning and Funding Cost Centres should not be allocated to any Provider Arm Cost Centres.

## CS1 Table 1: Cost Centre Categories

Where a single general ledger cost centre has costs attributable to more than one category, it is recommended that the costs be split and assigned to the appropriate cost centre category. For example: laundry provides services to hospital and private organisations, the private costs should be separated out to a non-core cost centre or cost offset by revenue earned.

| **Function** | **Category** | **Cost Included** | **Cost Excluded** |
| --- | --- | --- | --- |
| Administration – Patient | Patient Care / Support | Service support staff e.g. Medical Typists, booking / scheduling |  |
| Administration – Non-Patient | Overhead | Service Management, disaster planning and other general management roles |   |
| Allied Health | Patient Care | Allied Health support staff |   |
| Anaesthetics | Patient Care |   |   |
| Asset Costs other than Land / Buildings | Overhead | Clinical Equipment Depreciation, maintenance, insurance and lease costs (financial & operating) | Asset costs in patient care areas |
| CEO | Governance | Provisions, public relations, planning and general marketing |   |
| Clinical Coding/Medical Records | Overhead |  |  |
| Community Services | Patient Care | Personal health, disability & mental health services |   |
| Cost of Capital | Overhead | Capital charge and interest |   |
| Decision Support | Overhead |   |   |
| Director of Nursing | Overhead |  | Dir of Nursing for primary providers |
| Emergency | Patient Care |   |   |
| Exchange | Overhead | Telephonists |  |
| Land and Building  | Overhead | Asset management, utility charges, building & ground maintenance, insurance, security & engineering | Cleaning |
| Finance Dept | Overhead | Accounts receivable & payable, cashier and other accounting costs |   |
| Funding and Planning | Funding |  | Totally excluded |
| General Support Services | Overhead | Clinical Photographer, Admitting, Biomedical, Cleaning, Chaplain, Orderlies, Volunteer Services, Patient Information, Patient Enquiries, Patient Relative Accommodation.  |  |
| Good Employer | Overhead | Cafeteria, parking, staff usage & recreation and crèche costs |   |
| District Board Members  | Governance | Board Members, Meeting costs, and Company Secretary function |   |
| Hospital in the Home | Patient Care |   |   |
| Human Resource  | Overhead | Includes Employee Development Costs and Industrial Relations |   |
| Information Systems | Overhead | Information Analysts, Business Analysts, Business Applications and IT Support |   |
| Inpatient Wards | Patient Care |   |   |
| Insurance - Assets | Overhead |   | Clinical Equipment  |
| Intensive Care Units | Patient Care | High Dependency Unit, Coronary Care Unit, Special Care Baby Unit, Mental Health Intensive Care  |   |
| Internal Audit | Overhead |   |   |
| Laboratories | Patient Care |   |   |
| Laundry | Patient Care/ Patient Support |   |   |
| Management Support – Corporate | Overhead | Contract Management, Disaster Planning, Planning and Secretarial Support, Internal Audit, Project Management Office |   |
| Management Support – Service | Overhead | Service Managers, Secretarial Support |   |
| Medical Staff | Patient Care |  |  |
| Medical Support | Overhead | Medical Directors, Advisory Committees, Library and Medical Accommodation |   |
| Multi Service Fleet Management/ Car Pool Service  | Overhead | Fuel, depreciation, Maintenance, Repairs  | Vehicle expenses in Patient Care areas |
| Needs Assessment Service Co-ordination | Patient Care |   |   |
| Nursing Support | Overhead | Management / Admin of Nursing Bureau, Casual Pool & Roster Office |   |
| Occupational Health | Patient Care |  |  |
| Outpatient Clinics | Patient Care |   |   |
| Outreach Community | Patient Care |   |   |
| Palliative Care | Patient Care |   |   |
| Patient Appliance | Patient Care  | Patient Aids |   |
| Patient Services | Patient Care | Interpreter, Patient Food Services |  |
| Payroll | Overhead |   |   |
| Pharmacy – Patient Dispensed | Patient Care |   |   |
| Pharmacy – Ward Issues | Patient Support |   |   |
| Purchasing / Stores | Overhead |   |   |
| Quality / Accreditation | Overhead | Infection Control, Health and Safety |   |
| Radiology | Patient Care |   |   |
| Rehabilitation | Patient Care |   |   |
| Renal Dialysis | Patient Care |   |   |
| Research | Non-Core |  | Totally excluded |
| Risk Management / Legal | Overhead |   |   |
| Sterile Services | Patient Care /Patient support |   |   |
| Theatre | Patient Care |   |   |
| Clinical Training | Overhead | Coordination / Management of CPR Training, Clinical School |  |

# SCHEDULE 2COST GROUPS

1. 1. Introduction

Commentary

* + 1. This Schedule provides a guideline for District costing systems to combine lower level costs of the General Ledger into high-level general Cost Groups.

2.1.2 Cost Groups are the aggregated General Ledger account codes for costs. Each cost in the General Ledger is assigned a Cost Group.

* 1. Application

Schedule

2.2.1 This Schedule applies to all district divisions.

2.2.2 The Cost Groups set out in this Schedule shall apply to all cost reports where such application is of material consequence.

* 1. Statement of Purpose

Commentary

2.3.1 The purpose of the Cost Groups Schedule is to provide a guideline for the aggregation of costs in the General Ledger into higher level cost groups as categorised by the Common Chart of Accounts (CCoA) or Financial Reporting Enabling Data (FRED). These Cost Groups are tracked when allocating costs and determining product or service costs. For Districts with patient costing systems, the following Cost Groups must be identified at an individual product level to enable consolidation of products by the patients that consumed them and then into Purchase Units (or other groupings of patients as required). Distinction is made of costs that were attributable directly to the patient activity (and were costed using relative value units) versus costs that were indirectly allocated to the patient activity and therefore make up the cost group “Overheads”.

This Schedule presents the mandatory cost groups expected from a costing system. If Districts identify costs within the mandatory groups that are sufficiently material to deem tracking within their costing systems, this is to be encouraged. Sub levels of the mandatory groups may be introduced in the future for the purpose of cost reporting.

2.3.2 Districts have historically split costs into variable and fixed cost categories which tend to result in different categorisations within each District. This standard does not advocate a distinction between fixed and variable costs, as the ranges of possible subjective judgements are too great to provide a single set of common guidelines.

* 1. Definitions

**Schedule**

* + 1. Cost Groups with Direct Patient Activity

Costs that are located in Patient Care/Patient Support, as defined in CS1, will be grouped under the following categories:

1. Medical Labour SMO (DR): all staff employed primarily as practicing physicians and/or surgeons. Both employed staff and outsourced labour form part of this category. The make-up of this Cost Group is detailed below:
* CCoA: 2005 to 2025 and 3105 to 3119.
* FRED: 2005 to 2025 and 3105 to 3117. 2060 relates to Other Medical Employee expenses, apply this at District discretion between DR and DS.
1. Medical Labour RMO (DS): all staff employed primarily as practicing physicians and/or surgeons. Both employed staff and outsourced labour form part of this category. The make-up of this Cost Group is detailed below:
* CCoA: 2035 to 2055 and 3125 to 3129.
* FRED: 2035 to 2055 and 3125 to 3127. 2060 relates to Other Medical Employee expenses, apply this at District discretion between DR and DS.
1. Nursing Labour (DB): all qualified nursing staff, registered / enrolled nurses and nurse aides. Both employed staff and outsourced labour form part of this category. The make-up of this Cost Group is detailed below:
* CCoA: 2200 to 2399 and 3200 to 3299.
* FRED: 2204 to 2260 and 3205 to 3270.
1. Allied Health Therapist Labour (DN): all staff employed in therapy positions e.g. audiologists, dental therapists, occupational therapists, physiotherapists, podiatrists, all psychologists, social/community workers and dietitians. Both employed staff and outsourced labour form part of this category. The make-up of this Cost Group is detailed below:
* CCoA: 2400 to 2459, 2510 and 3300 to 3329.
* FRED: 2404 to 2428, 2434 to 2458, 2510 and 3305 to 3325. 2520-2560 relates to Other Allied Health - apply this at District discretion between DN and DO.
1. Allied Health Technician Labour (DO): all staff employed in Allied Health technical positions e.g. laboratory assistants, pharmacists, ambulance officers, hearing/vision testers and scientific officers. Both employed staff and outsourced labour form part of this category. The make-up of this Cost Group is detailed below:
* CCoA: 2463 to 2508, 2512 to 2599 and 3335 to 3399.
* FRED: 2464 to 2468, 2473 to 2477, 2484 to 2487, 2494 to 2498,2508, 2512 to 2519 and 3335 to 3370. 2520-2560 relates to Other Allied Health - apply this at District discretion between DN and DO.
1. Management and Professional Labour (DP): all staff employed in Management positions e.g. executive staff and supervisors. Both employed staff and outsourced labour form part of this category. The make-up of this Cost Group is detailed below:
* CCoA: 2800 to 2829, 2965 to 2999 and 3500 to 3539.
* FRED: 2805 to 2828 and 3505 to 3535. 2860, 2891 and 3570 relates to Management/Admin expenses, apply this at District discretion between DP and DQ.
1. Administrative Labour (DQ): all staff employed Administrative and Clerical positions e.g. secretarial and clerical staff. Both employed staff and outsourced labour form part of this category. The make-up of this Cost Group is detailed below:
* CCoA: 2830 to 2832 and 3545 to 3599.
* FRED: 2830 to 2832 and 3545. 2860, 2891 and 3570 relates to Management/Admin expenses, apply this at District discretion between DP and DQ.
1. Non-Clinical Support Labour (DD): all support personnel employed in non-medical or non-nursing roles (e.g. laundry, hotel services, ground staff, etc.) where the costs are able to be assigned to products and therefore a CS7 group as per CS1. Both employed staff and outsourced labour form part of this category. The make-up of this Cost Group is detailed below:
* CCoA: 2602 to 2799 and 3402 to 3499.
* FRED: 2605 to 2620, 2625 to 2628, 2645 to 2660, 2665 to 2667 and 3405 to 3470.
1. Pharmaceuticals (DF): all pharmaceutical costs in code range:
* CCoA: 4602 to 4685.
* FRED: 4604 (Pharmaceutical) and 4611 (Pharmaceutical Related Supplies).
1. Implants (DG): all implant costs in:
* CCoA: 4502 to 4599.
* FRED: 4505 to 4590 (Implants and Prostheses).
1. Other Clinical Costs (DH):
* CCoA: all costs in the 4000 code range excluding Pharmaceuticals and Implants which are noted separately.
* FRED: all costs in the 4000 code range but excludes Pharmaceuticals and Implants which are noted separately. Also need to include 5962 Depreciation Clinical Equipment.
1. Infrastructure and Non-Clinical Supplies (DI):
* CCoA: all costs in the 5000 code range excluding Building Depreciation, Leases and Rents (DM) noted separately.
* FRED: all costs in the 5000 code range excluding Building Depreciation, Leases and Rents (DM) and excluding 5962 Clinical Equipment Depreciation (DH), each noted separately.
1. Outsourced Clinical Services (DJ):
* CCoA: all outsourced clinical services costs in the code range 3602 to 3899.
* FRED: all outsourced services in the code range 3610 to 3690 (outsourced clinical).
1. Central Sterile Supply (DK): costs not directly attributed to patients and recharged using.
* CCoA: 8000 account code range for CSSD Services. Note there should not be any internal surplus included in the recharged amount (see Schedule 6 - CS6).
* FRED: no account codes defined.
1. Patient Support costs (DL): patient support costs (e.g. laundry) as specified in CS1, if not used as a CS7 group (7.7.17b).
2. Building Depreciation, Leases and Rents (DM): these are costs that are incurred by direct patient care departments that are specific to building costs.
* CCoA: Account codes to include are 5105, 5106, 5110, 5111 & 5120.
* FRED: 5932, 5938 (Depreciation), 5911 (Loss on Disposal of Asset) and 5120 (Rents).

**Commentary**

* + 1. Labour costs include other employee related payroll costs e.g. allowances, gratuities, insurances, ACC levies, FBT, redundancy, etc.
		2. Districts must endeavour to be fully compliant. Adequate information should be obtained on a periodic basis and entered into the costing system.
		3. Infrastructure costs should include all costs related to the provision of the facilities and equipment. These should include all maintenance, operating leases, insurance, etc.
		4. Payroll recovery accounts are used as the credit account for labour costs that have been journaled out of the payroll codes. Allocate to the appropriate CS7 as defined by District. Account codes include:
* FRED: 2091 (Medical), 2291 (Nursing), 2591 (Allied Health), 2691 (Support) and 2891 (Management/Admin)
	+ 1. Cost Groups with no Direct Patient Activity.

Costs that are located in Overhead Cost Centres, as defined in CS1, will be grouped under the following categories.

1. Medical Labour SMO (OV): SMO medical staff employed primarily or part time in a management or administration role but still paid under the medical account codes. Both employed staff and outsourced labour form part of this category. The make-up of this Cost Group is detailed below:
* CCoA: 2005 to 2025 and 3105 to 3119.
* FRED: 2005 to 2025 and 3105 to 3117. 2060 relates to Other Medical Employee expenses, apply this at District discretion between OV and OW.
1. Medical Labour RMO (OW): RMO medical staff employed primarily or part time in a management or administration role but still paid under the medical account codes. Both employed staff and outsourced labour form part of this category. The make-up of this Cost Group is detailed below:
* CCoA: 2035 to 2055 and 3125 to 3129.
* FRED: 2035 to 2055 and 3125 to 3127. 2060 relates to Other Medical Employee expenses, apply this at District discretion between OV and OW.
1. Nursing Labour (OZ): all qualified nursing staff, registered / enrolled nurses, and nurse aides. This includes nursing staff employed primarily or part time in a management or administration role but still paid under the nursing account codes. Both employed staff and outsourced labour form part of this category. The make-up of this Cost Group is detailed below:
* CCoA: 2200 to 2399 and 3200 to 3299.
* FRED: 2204 to 2260 and 3205 to 3270.
1. Allied Health Therapist Labour (ON): all staff employed in therapy positions e.g. audiologists, dental therapists, occupational therapists, physiotherapists, podiatrists, all psychologists and social / community workers plus dietitians. This includes Allied staff employed primarily or part time in a management or administration role but still paid under the Allied account codes. Both employed staff and outsourced labour form part of this category. The make-up of this Cost Group is detailed below:
* CCoA: 2400 to 2459, 2510 and 3300 to 3329.
* FRED: 2404 to 2428, 2434 to 2458, 2510 and 3305 to 3325. 2520-2560 relates to Other Allied Health - apply this at District discretion between ON and OO.
1. Allied Health Technician Labour (OO): all staff employed in allied health technical positions e.g. laboratory assistants, pharmacists, ambulance officers, hearing/vision testers and scientific officers. This includes Allied staff employed primarily or part time in a management or administration role but still paid under the Allied account codes. Both employed staff and outsourced labour form part of this category. The make-up of this Cost Group is detailed below:
* CCoA: 2460 to 2508, 2512 to 2599 and 3335 to 3399.
* FRED: 2464 to 2468, 2473 to 2477, 2484 to 2487, 2494 to 2498, 2508, 2512 to 2519 and 3335 to 3370. 2520-2560 relates to Other Allied Health - apply this at District discretion between ON and OO.
1. Management and Professional Labour (OP): all staff employed in Management positions e.g. executive staff and supervisors. Both employed staff and outsourced labour form part of this category. The make-up of this Cost Group is detailed below:
* CCoA: 2800 to 2829, 2965 to 2999 and 3500 to 3539.
* FRED: 2805 to 2828 and 3505 to 3535.
2860, 2891 and 3570 relates to Management/ Admin expenses - apply this at District discretion between OP and OQ.
1. Administrative Labour (OQ): all staff employed Administrative and Clerical positions e.g. secretarial and clerical staff. Both employed staff and outsourced labour form part of this category. The make-up of this Cost Group is detailed below:
* CCoA: 2830 to 2839, 2941 to 2963 and 3540 to 3599.
* FRED: 2830 to 2832 and 3545.
2860, 2891 and 3570 relates to Management/Admin expenses - apply this at District discretion between OP and OQ.
1. Non-Clinical Support Labour (OR): all support personnel employed in non-medical or nursing roles e.g. laundry, hotel services, ground staff, etc. Both employed staff and outsourced labour form part of this category. The make-up of this Cost Group is detailed below:
* CCoA: 2600 to 2799 and 3400 to 3499.
* FRED: 2605 to 2620, 2625 to 2628, 2645 to 2660, 2665 to 2667 and 3405 to 3470.
1. Other Clinical Costs (OH):
* CCoA: all costs in the 4000 code range
* FRED: all costs in the 4000 code range of FRED, but excludes Pharmaceuticals and Implants which are noted separately. Also need to include 5962 Depreciation Clinical Equipment.
1. Infrastructure and Non-Clinical Supplies (OI):
* CCoA: all costs in the 5000 code range excluding Building Depreciation, Leases and Rents (OM) noted separately.
* FRED: all costs in the 5000 code range excluding Building Depreciation, Leases and Rents (OM) and excluding 5962 Clinical Equipment Depreciation (OH), each noted separately.
1. Outsourced Non-Clinical Services (OS): all outsourced non-clinical services costs in the code range:
* CCoA: 3602 to 3899.
* FRED: 3710 to 3780 (outsourced corporate/governance) and 3810 to 3849 (outsourced funder service).
1. Cost of Capital (OA): all interest and equity charges related to the business.
* CCoA: 5405, 5425, and 5435.
* FRED: 7405 to 7406, 7425 and 7435.
1. Building Depreciation, Leases and Rents (OM): these are costs that are incurred by overhead departments that are specific to building costs. Account codes to include are:
* CCoA: 5105, 5106, 5110, 5111, 5120.
* FRED: 5932, 5938 (Depreciation), 5911 (Loss on Disposal of Asset) & 5120 (Rents)
	+ 1. Revenue with Direct Patient Activity.

Revenue that is located in Patient Care/Patient Support, as defined in CS1, will be grouped under the following categories.

1. Clinical Training Agency (CTA) Funding (RA): CTA is treated as an offset against expenses. See Schedule 6 for guidelines on reporting CTA funding as revenue:
* CCoA: 1550
* FRED: 1551
1. Claimable Drugs Cost Recovery (RB): Payments received as per the Pharmac schedule for claimable drugs. The cost recovery amount must reflect the amount the District is entitled to be reimbursed under the claimable drug reimbursement regime.
2. Other Offset Revenue (RC): revenue which is not able to be treated as a cost recovery within a specific existing cost group. Where revenue in the 1000 range of CCoA or FRED is offset against multiple groups of cost, and the cost that it is offsetting is found in the direct cost groups, should be recorded as a “negative offset”. For example, serviced outpatient clinic rooms subcontracted to a GP private provider would be offset against staffing and infrastructure costs in the outpatients cost centre.
	* 1. Revenue with no Direct Patient Activity.

Revenue that is located in Overhead Cost Centres, as defined in CS1, will be grouped under the following categories:

Offset Revenue Overhead (RO): revenue which is not able to be treated as a cost recovery within a specific existing cost group. Where revenue in the 1000 range of CCoA or FRED is offset against multiple groups, and it is offsetting a cost found in overhead cost centres, it should be recorded as a “negative offset”. For example, revenue for parking recovery would be offset against staffing and infrastructure costs in multiple overhead cost centres.

## CS2 Table 1: Glossary of CS2 Codes

|  |  |  |
| --- | --- | --- |
| **Code** | **Description** | **NCCP Reporting Category** |
| **Direct Cost Groups** |
| DR | Medical Labour SMO | Labour Med  |
| DS | Medical Labour RMO | Labour Med  |
| DB | Nursing Labour | Labour Nurse |
| DN | Allied Health Therapist Labour | Labour Allied  |
| DO | Allied Health Technician Labour | Labour Allied  |
| DP | Management and Professional Labour | Labour Other |
| DQ | Administrative Labour | Labour Other |
| DD | Non-Clinical Support Labour | Labour Other |
| DF | Pharmaceuticals | Supplies Pharms |
| DG | Implants | Supplies Implants |
| DH | Other Clinical Costs | Supplies Other |
| DI | Infrastructure and Non-Clinical supplies | Other Direct |
| DJ | Outsourced Clinical Services | Other Direct |
| DK | Central Sterile Costs not directly attributed to patients. | Other Direct |
| DL | Patient Support Costs e.g. laundry as specified in CS1 if not used as a CS7 group (7.7.17b) | Other Direct |
| DM | Building Depreciation, Leases and Rents | Other Direct |
| **Overhead Cost Groups** |
| OV | Medical Labour SMO | Overhead |
| OW | Medical Labour RMO | Overhead |
| OZ | Nursing Labour  | Overhead |
| ON | Allied Health Therapist Labour | Overhead |
| OO | Allied Health Technician Labour | Overhead |
| OP | Management and Professional Labour  | Overhead |
| OQ | Administrative Labour | Overhead |
| OR | Non-Clinical Support Labour | Overhead |
| OH | Other Clinical Costs | Overhead |
| OI | Infrastructure and Non-Clinical supplies | Overhead |
| OS | Outsourced Non-Clinical Services | Overhead |
| OA | Cost of Capital | Overhead |
| OM | Building Depn, Leases and Rents | Overhead |
| **Revenue Offset Cost Groups – Direct** |
|  RA | Clinical Training Agency (CTA) Funding | Labour Med |
|  RB | Claimable Drugs Cost Recovery | Supplies Pharms |
|  RC | Other Offset Revenue | Other Direct |
| **Revenue Offset Cost Groups – Indirect** |
| RO | Offset Revenue Overhead | Overhead |

# SCHEDULE 3COST CENTRE ALLOCATION ORDER

1. 1. Introduction

Commentary

3.1.1 This Schedule deals with the order in which Non-clinical Overhead, Clinical Support and Patient Care Cost Centres are allocated to Product Cost Pools as defined in Schedule 7 (CS7).

3.1.2 It is useful to differentiate amongst Non-clinical Overhead, Clinical Support, and Patient Care Cost Centres.

3.1.3 All costs within the Overhead, Clinical Support and Patient Care Cost Centres should be allocated to a Product Cost Pool regardless of the method of allocation (step-down, iterative, or simultaneous) unless the costs do not require allocation under Schedule 5 (CS5). Simultaneous is considered to be the most mathematically preferred approach.

* 1. Application

Schedule

3.2.1 This Schedule applies to Districts internal recharging where iterative, step-down, or multiple step-down cost allocations are used. Districts using simultaneous allocation models are exempted from this standard.

3.2.2 In an internal recharging cost allocation system, costs should be allocated from Cost Centres to Cost Pools after the calculation of each Cost Centres allocated costs.

3.2.3 In an iterative cost allocation system some backward allocation of cost is permitted, as cost allocations will clear after a number of cost allocation iterations (assuming all overhead Cost Centres allocate to other Cost Centres).

3.2.4 In a step-down cost allocation system, backward allocation of costs is not permitted, as this practice would result in Cost Centres where some costs are not allocated.

3.2.5 In a multiple step-down cost allocation system, costs should be allocated from costs centres to Cost Pools prior to the final cost allocation to Cost Centres.

3.2.6 The costing schedules shall apply where cost allocations are material. A Cost Centre allocation is material if its nature, amount or method of treating the allocation is likely to distort the costed outputs of Patient Care Cost Centres. Materiality is discussed in 2.1 of the Explanatory Forward to these Standards. If the effect is greater than 2% of the cost of the product it should be considered material.

* 1. Statement of Purpose

Commentary

3.3.1 The purpose of this Schedule is to specify the most appropriate order for the allocation of costs from Cost Centres to Cost Pools.

* 1. Definitions

Schedule

“**Cost Centres**” are categorised as Overhead, Clinical Support and Patient Care as defined in Schedule 1 (CS1).

“**Order**” is the hierarchical method of allocating the costs of Cost Centres to Cost Pools so that all costs are allocated to Product Cost Pools in a logical and appropriate way.

“**Product Cost Pools**” are defined in Schedule 7 (CS7).

Commentary

3.4.1 Cost Centres may also be called Profit Centres, Investment Centres or Responsibility Centres. This Schedule applies when the aggregation of costs has the attributes of a Cost Centre.

3.4.2 Overhead Cost Centres are allocated using cost drivers (Schedule 4 - CS4).

* 1. Cost Centre Allocation Order

Commentary

3.5.1 The order of Cost Centre cost allocation is important to ensure consistency and comparability across all Districts (Diagram 1 - CS3).

Schedule

3.5.2 Overhead Cost Centres should be fully allocated to Patient Support, Patient Care and Non-core Cost Centres.

Cost allocation order is:

1. Overhead Cost Centre costs are allocated to Patient Care, Patient Support and Other Cost Centres
2. Patient Support and Patient Care Cost Centre costs are allocated to Product Cost Pools

Commentary

3.5.3 In Non-Casemix costing sites, costs from Patient Support and Patient Care Cost Centres may be fully allocated to Product Cost Pools. For Casemix costing sites, products may be reported up to Product Cost Pools.

Schedule

3.5.4 Costs allocated to Non-core Cost Centres are generally dead-ended and should comply with Schedule 5 (CS5).

Commentary

3.5.5 Cost Centres should be allocated to subsequent Cost Centres on the basis of the output activity of the subsequent Cost Centre.

3.5.6 Where cost allocation is done by internal recharging, costs should be allocated on the basis of resource usage. The value of the allocated costs may be based on full, partial or shared use of a particular resource. In the case of partially used or shared resources, costs should be allocated in the order set out in this Schedule and as shown in diagram 1.

3.5.7 Where the most appropriate output activity of the Cost Centre cannot be measured, an alternative should be identified and used in its place (Schedule 4 - CS4).

## CS3 Diagram 1: Cost Centre Allocation Order



# SCHEDULE 4OVERHEAD ALLOCATION METHODOLOGY

1. 1. Introduction

Commentary

4.1.1 This Schedule deals with the methodology in which non-patient costs are allocated to Product Group Pools.

Schedule

4.1.2 This Schedule applies to all District costing systems. The Cost Allocation Method should be used in all District costing systems.

* 1. Application

Schedule

4.2.1 This Schedule applies to the allocation of all Cost Centre and Cost Group costs for all Districts. Where a District cannot apply the Schedule for costs that are deemed to be material, this should be disclosed and details of the allocation base used should be provided.

4.2.2 The costing schedules set out in this Schedule shall apply to all cost allocations, where these are material. If the effect on an allocation is greater than 2% on the total cost of the output, the allocation should be considered material.

4.2.3 Costs assigned through resource usage (i.e. transfer pricing) are exempt from this Schedule.

* 1. Statement of Purpose

Commentary

4.3.1 The purpose of this Schedule is to specify the most appropriate method for the allocation of non-patient cost centre costs to patient care cost centres. An alternative is also listed for instances where the appropriate allocation method is not possible.

* 1. Cost Allocation Method of Cost Centres and Cost Groups

Commentary

4.4.1 For the purposes of consistency and comparability across districts, it is essential all costs within are allocated to intermediate products.

4.4.2 A cost driver is a base used to calculate the Cost Centre costs which are to be allocated to other Cost Centre and Product Group Pools.

4.4.3 The Cost Allocation Methodology identifies an appropriate cost driver for the outputs of each Cost Centre or Cost Group. Cost should then be allocated to dependent Cost Centres and Cost Pools on the basis of unit cost per cost driver.

Schedule

4.4.4 This Schedule sets out cost allocation methodology for the allocation of Cost Centre and Cost Group costs to Cost Pools.

4.4.5 Those Cost Centres that allocate costs to other Cost Centres or Cost Pools should allocate all of their costs using the Cost Allocation Methodology.

4.4.6 The District can determine the allocation method when clearing all immaterial indirect Cost Centres.

4.4.7 Output cost drivers are determined by the main output activity undertaken by the non-patient cost centre or by the prime driver of the Cost Group cost to be allocated. Where a cost driver is not measured an alternative should be used. These are set out in Table 1 (CS4).

Commentary

* + 1. Common bases used for cost drivers for allocation include:
1. Number of Full Time Equivalents (FTEs) based on usual hours worked by Cost Centre
2. Value of fixed assets in a Cost Centre
3. Value of current assets in a Cost Centre
4. Area occupied in square metres by a Cost Centre
5. Weighted area occupied by a Cost Centre
6. Total Cost of the Cost Centre
7. Employee Cost in a Cost Centre
8. Supply Cost in a Cost Centre
9. Revenue of the Cost Centre
10. Bed Days by Cost Centre (Should this be resourced or used?)
11. Telephone extensions by Cost Centre
12. Contact Volumes for Inpatients and Outpatients by Cost Centre

## CS4 Table 1: Cost Centre Allocation and Recommendation on Cost Drivers

| **Function** | **Allocation Cost Driver** | **Receiving****Cost Centres** |
| --- | --- | --- |
| **Preferred** | **Alternate(s)** |
| Purchasing / Stores | Usage | Total Costs | All Cost Centres |
| Administration – Non-Patient | Total Costs | FTE | All Cost Centres |
| Asset Costs other than Land /Buildings | NBV by Cost Centre | Total Costs | All Cost Centres |
| Governance Board Costs | Funder Revenue to Provider v. NGOs Revenue | 60% Provider / 40% Funder Total Costs | Funder and Provider (All Cost Centres) Areas report to Board (Providers & Planning) |
| CEO | Funder Revenue to Provider v. NGOs FTE  | 60% Provider / 40% Funder Total Costs | Funder and Provider (All Cost Centres) Direct Report Cost Centres |
| Clinical Coding / Medical Records | Discharges / Attendances | FTE | All Cost Centres |
| Cost of Capital | Asset Value | Total Costs | All Cost Centres |
| Decision Support | Total Costs | FTE | All Cost Centres |
| Director of Nursing | Nursing FTE | Total Costs | Clinical Cost Centre only |
| Exchange | FTE | Total Costs | All Cost Centres |
| Finance Dept | Transactions | FTE | All Cost Centres |
| General Support Services | FTE | Total Cost | All Cost Centres |
| Good Employer | Head count | FTE | All Cost Centres |
| Human Resource costs | FTE | Total Costs | All Cost Centres |
| Information Systems | PC /Application Usage | FTE | All Cost Centres |
| Insurance – Assets | Asset Value | Total Costs | All Cost Centres |
| Internal Audit | Total Costs | FTE  | All Cost Centres |
| Land and Building related costs (facilities) | Square Metres | Total Cost | All Cost Centres |
| Management Support - Corp. | FTE | Total Salary Costs | All Cost Centres |
| Management Support - Service | FTE | Total Salary Costs | Direct Report Cost Centres |
| Medical Support | Medical FTE | Medical Salary Costs | Medical Cost Centres |
| Multi Service Fleet Management / Car Pool Transport | Usage | FTE | Cost Centres that require cars from the car pool |
| Nursing Support | Usage | Nurse FTE  | Clinical Cost Centres |
| Payroll | FTE | Total Salary Costs | All Cost Centres |
| Quality / Accreditation | FTE /Head count | Total Salary Costs | All Cost Centres with acute area 10% additional weighting |
| Risk Management / Legal | FTE /Head count | Total Salary Costs | All Cost Centres |

## CS4 Appendix 1: Technical Guide for the Treatment of Governance and Administration Costs/Revenue

### Background

Districts are usually divided into three separate arms – the Provider Arm, the Funder Arm, and the Governance and Administration Arm (hereinafter referred to as G&A). The costing guidelines are focussed on the Hospital and Specialist Services. However, to get the true cost of all Provider Arm services it is important to include a portion of the costs incurred within G&A. This technical guide is designed to assist those preparing costing information to ensure all Districts apply a consistent approach to the allocation of G&A costs across health services.

### Principle

*“The District costing standards are based on the principle that when determining the cost of a patient event it must be fully absorbed. To achieve this where possible ABC methodologies will be applied” -* Page 5, Costing Standards, Activity-Based Costing definition.

In order to we adopt the above principal, G&A activity must be analysed in detail to categorise the activity into categories that relate to health services / outputs. G&A does not exist to support itself but is there as a support mechanism for the ‘direct’ areas of health services. Allocation of G&A costs to the direct patient areas is required.

### Common Activities/Functions of the G&A Arm

After conducting a survey of a number of Districts it was discovered that there is no consistency to the costs and revenue that are recorded in the G&A arm of a District.

For instance, some have CEO costs and direct reports in G&A, others have these in the Provider Arm. To ensure accurate costing data that is comparable between districts, it is necessary to break the G&A Arm into the functions and activities that it performs and to record these main functions in separate cost centres within G&A. Each function / cost centre within G&A will then be either allocated as an Indirect Cost or it may have patient activities that the cost can be directly attributable to.

## CS4 Table 2: Common Functions in Governance and Administration

The following table represents the preferred method of treatment within an Activity Based Costing System:

|  |  |
| --- | --- |
| **Function/Activity** | **Costing Methodology** |
| District Board Running Costs | Allocate between Funder and Provider based on total revenue. Provider Arm amount then allocated using FTEs. |
| CEO costs | Allocate between Funder and Provider based on total revenue. Provider Arm amount then allocated using FTEs. |
| Property Services (Land and Buildings / Facilities) | Refer Table 1 CS4 of this Standard, but ensure the Funder is included as a cost receiving area. |
| Corporate Services: - Corporate Management, Financial & Accounting, Logistics | Refer Table 1 CS4 of this Standard, but ensure the Funder is included as a cost receiving area. |
| Human Resources | Refer Table 1 CS4 of this Standard, but ensure the Funder is included as a cost receiving area. |
| Information Services | Refer Table 1 CS4 of this Standard, but ensure the Funder is included as a cost receiving area. |
| Affiliation fees to District NZ, Health Round Table etc. | Provider arm cost – allocate based on total expenditure. |
| “District wide” consultancy fees | Allocate between Funder and Provider based on total expenditure of each. |
| Planning and Funding | A contract related to the Funder Arm stays in the Funder Arm and must not be allocated to the Provider Arm. |

# SCHEDULE 5COST EXCLUSIONS / INCLUSIONS

1. 1. Introduction

Commentary

5.1.1 This Schedule suggests consistent guidelines for Cost Exclusion/Inclusion items in costing systems.

* 1. Application

Schedule

5.2.1 This Schedule applies to all district divisions within Te Whatu Ora.

* 1. Statement of Purpose

Commentary

5.3.1 The purpose of this Schedule is to outline Cost Exclusion/Inclusion items in District costing systems that would provide useful commonality of information to external parties for:

1. The assessment of performance of the District and
2. The making of decisions about benchmarking amongst Districts.
	1. Commercial Ventures

Commentary

5.4.1 Districts may potentially engage in a small number of commercial ventures and thus incur a number of expenses. Although such costs will appear in the general ledger, these costs should not be allocated to individual patients if they are not part of the infrastructure of delivering patient care.

Schedule

5.4.2 Districts have two choices in applying this Schedule to their costing of commercial ventures:

1. Dead-end the expenditures.
2. Create commercial products that attract all the appropriate costs.

5.4.3 If costs are dead-ended, it is important activities relating to the commercial venture are not captured as a part of any product in Schedule 7 (CS7). This would artificially deflate the true operating costs of the remaining products.

5.4.4 Any revenue received and relating to these costs must be treated in a matching way and as set out in Schedule 6 (CS6).

* 1. General Cost Exclusions/Inclusions

Schedule

5.5.1 Only costs incurred in every day operations should be allocated to products.

5.5.2 Core business restructuring costs incurred as a normal part of District activity should be allocated to products. Organisational wide restructuring costs incurred should not be allocated to products.

5.5.3 The financial accounting function is responsible for ensuring all costs are adequately recorded in the General Ledger in order to comply with audit regulations and to ensure stakeholder confidence.

5.5.4 One-off, non-core operating items, if not costed (i.e. dead-ended) must be disclosed. Extraordinary items must truly be an extraordinary activity for that particular fiscal year.

5.5.5 General restructuring costs should be included in the cost of activities.

5.5.6 Capital charges are treated in the same way as interest expense.

Commentary

5.5.7 Districts are required to keep track of capital charges as a separate cost category.

5.5.8 Provision for Bad and Doubtful debts should be excluded from costs.

* 1. Reconciliation to the General Ledger

Standard

5.6.1 The following shall be disclosed separately:

1. A full reconciliation between the General Ledger and the sum of product costs within the costing system.
2. Costs in the Statement of Financial Performance that are not included for costing i.e. dead-ended costs.
3. Any costs netted-off against revenue (Schedule 6 - CS6).
4. Any costs deemed to be an extraordinary item and hence excluded from the costing.

Commentary

5.6.2 The disclosure of the above information enables all internal and external users of costing information to easily verify that the appropriate costs have been included in the costing of products.

# SCHEDULE 6TREATMENT OF REVENUE

1. 1. Statement of Purpose

Commentary

6.1.1 This Schedule deals with the treatment of Revenue by individual Districts for costing purposes. It addresses transactions reported as Revenue and as Cost Recoveries in order to ensure there is consistent treatment of these General Ledger items.

6.1.2 This Schedule will provide a recommendation on how each revenue account type from the Common Chart of Accounts (CCoA) or Financial Reporting Enabling Data (FRED) is to be interpreted by the costing systems of each District.

* 1. Application

Schedule

6.2.1 This Schedule applies to the treatment of all District revenue/cost recoveries except where legislation, Crown Funding Agreement or Operations Policy Framework (OPF) would override this standard.

* 1. Definitions

Schedule

6.3.1 Revenue refers to income or cost recovery from any source and includes account codes 1000 to 1999 in the Common Chart of Accounts (CCoA) or 1004 to 1877 in Financial Reporting Enabling Data (FRED). It does not refer to the internal charging undertaken when a Cost Centre charges its costs to another Cost Centre within the District (known as Internal Revenue/Charging).

6.3.2 In this Schedule, Revenue Account Type is the account code report heading as listed in the Common Chart of Accounts (CCoA) and in Financial Reporting Enabling Data (FRED).

6.3.3 Provider arm revenue is also recorded in CCoA account codes 6000 to 6900 and 1901 to 1911 for CCoA where revenue is transferred from the District Funder to the District Provider Arm as represented in the Provider Price Volume Schedule. These revenues are generally purchase framework service based and should not be offset.

Commentary

6.3.4 District owned Healthcare Provider Units may receive service revenue from multiple sources. They may also receive revenue for the provision of services other than patient healthcare activities.

6.3.5 Districts may do internal charging of a service to other services for the purposes of accountability for resource utilisation within Cost Centres.

* 1. General Treatment of Revenue Methodology

Schedule

6.4.1 The following process should be undertaken to determine whether revenue should be treated as a revenue item or netted off against costs:

1. Revenue that is earned from services provided to patients as described in the National Purchasing and Service Frameworks should be treated as operating revenue and not offset against costs. Revenue in this category includes District contract revenue, ACC purchasing, Inter-Regional Flows and Non-Resident revenue. Patient co-payments should not be included as they should be offset to reflect the true cost to the District of providing the purchased service.
2. Revenue that is earned from service activity that is not listed as a product in Schedule 7 (CS7) should be treated as a cost recovery and offset against costs. This includes any revenue that reduces or is reimbursement for the input costs of these intermediate products e.g. non Mental Health workforce development funding. Other examples of input cost recoveries are salvage sales, salary and wages recoveries and staff cafeteria sales.
3. Revenue that is earned from the direct provision of service activity listed as a product in Schedule 7 (CS7), which are not provided as components of a purchased service should be treated as revenue and not offset. However, the costs and volumes of these intermediate products should also be excluded from purchased service-based costs and matched to the revenue earned. Examples of this would be where diagnostic radiology procedures are ordered by District clinicians during an event that is funded at that ordering District and are provided by a different District.
4. Revenues earned either from a commercial venture, separate commercial entity or other circumstances that are not a normal part of hospital and health services activity should be treated as revenue and be excluded from the costing of intermediate products. However, where only part of the output of a service unit is sold to a commercial client or entity and this proportion is less than ten percent of the total output capacity of that service unit, the revenue may be treated as cost recovery and netted off against the total costs of that service unit. This ensures that nonmaterial commercial service provision is cost neutral. Examples of revenue in this category include rental of surplus properties and laundry sales to outside companies.
5. Revenues received from donations or grants should not be considered part of operating revenue. However, these donations are ordinarily used towards asset purchases and as such should not be offset against the costs of healthcare service provision.
6. If a District treats CTA funding as revenue then for comparability with Districts that treat it as a cost offset the CTA funding amounts must be able to be reported at intermediate product cost pool level for any applicable service activity.

6.4.2 Internal Revenue/Charging also needs to be treated on a consistent basis. Internal Revenue/Charging should *not* be used in the costing of products. The inclusion of such activity would offset the true cost of the product by incorporating any internal service surplus or deficit into the total cost of intermediate products. The revenue associated with such an activity can be disclosed through reporting/pricing schemes.

Commentary

6.4.3 It is necessary to determine how revenue information will be used for reporting purposes before making decision whether to net-off revenue against costs.

6.4.4 Where any revenue is netted-off against costs users lose the ability to determine the full cost of providing the service and may also lose the ability to measure the revenue associated with that service.

6.4.5 Some revenue items may need to be treated differently from mandated above, particularly where information is not available to allow compliance. It is necessary to specifically disclose any departures from the standard in the disclosure statement.

## CS6 Appendix 1: Guidelines for the Treatment of Revenue

|  |  |  |  |
| --- | --- | --- | --- |
| **A/C** | **A/C Description** | **Recommended Treatment** | **Guideline Comments** |
| 1802 | Gains on derivatives for SOGS | Cost Recovery | Gains are treated as cost recovery and losses as costs. If however, associated gains or losses from prior years have been treated as revenue, then for consistency the associated future year gains or losses should be treated in a similar manner. |
| 1803 | Gain on financial assets designed at FVPL | Cost Recovery |  |
| 1804 | Interest | Cost Recovery  | Interest received from deposits that will be used to fund Provider Arm expenditure on the treatment, either directly or indirectly, of patients is to be offset against costs. Unless it is as a result of funds held for future infrastructure development, in which case it should be treated as revenue. |
| 1805 | Gains on interest rate swaps and options for financial exp. | Cost Recovery |  |
| 1806 | Gain on sale of fixed assets | Cost Recovery | Gains on asset sales are cost recoveries unless they relate to the sale of land and buildings. These gains or losses are abnormal items and should be treated as Revenue. |
| 1814 | Dividends | Cost Recovery | Rebates classified as dividends are cost recoveries, dividends from investments are revenue. |
| 1824 | General Rents | Cost Recovery |  |
| 1825 | Accommodation rentals | Cost Recovery |  |
| 1826 | Rental income from investment property | Revenue | Income treated as revenue and associated costs excluded provided the property it is not used for District purposes. However, if associated costs can’t be excluded then treat revenue as a cost recovery. |
| 1834 | Training course fees (non-crown agencies) | Cost Recovery | If a District is running courses for the benefit of other organizations, then the revenue received should be used to offset the Districts costs. |
| 1835 | Professional & consultancy fee | Cost Recovery |  |
| 1844  | Research grant | Cost Recovery |  |
| 1845 | Drug trial revenue | Cost Recovery |  |
| 1864 | Other income | Cost Recovery |  |
| 1865 | Cafeteria & food sales | Cost Recovery |  |
| 1866 | Work rehabilitation sales | Revenue |  |
| 1868 | Gains on derivatives for financial expense | Cost Recovery | Same principle as applied to a/c 1802 |
| 1869 | Gains on derivatives for non-financial expense | Cost Recovery | Same principle as applied to a/c 1802 |
| 1854 | Bequests | Revenue |  |
| 1855 | Donations | Revenue | Treat as revenue because donations usually relate to the purchase of equipment. However, if the donation is absorbed into operating expenditure and is a material amount then it can be treated as a cost recovery. |
| 1550 | CTA Funding | Cost Recovery |  |

# SCHEDULE 7INTERMEDIATE PRODUCTS

1. 1. Introduction

Commentary

7.1.1 This Schedule deals with the methodology used when allocating fully absorbed costs in Patient Care and Clinical Support Cost Centres (Schedule 3 - CS3) to Intermediate Product Cost Pools.

7.1.2 This Schedule outlines:

1. Cost Pools to which costs of fully utilised resources will be allocated.
2. Levels of detail for products that will make up those pools.
3. Costs that will be included and excluded from the pools.

7.1.3 This Schedule addresses the need to audit the volumes of products. Reconciliation of product volumes from each District information system is an integral part of ensuring that the recorded volumes are as reliable and accurate as the costs.

7.1.4 An intermediate product is a product or service provided to a patient that contributes to the final total cost of a patient’s encounter.

* 1. Application

Schedule

7.2.1 This Schedule applies to the costing of the final total cost of the sum of all the intermediate products that are included in a patient event.

* 1. Statement of Purpose

Commentary

7.3.1 The purpose of this Schedule is to facilitate consistent treatments of Cost Pool and product information in District costing systems.

* 1. Standardisations of Cost Pools

Commentary

7.4.1 Greater standardisation of Cost Pools allows for the comparison of Districts at a higher level of detail than possible at the group level. The level of product specificity is determined by the availability and complexity of the costing systems within the District. The level to which products are specified within a Cost Pool determines the level of detail at which providers can benchmark.

* 1. Cost Pools and Products Methodology

Commentary

7.5.1 For Districts without Casemix or patient event level costing systems, costs from the group level (and associated overheads) will be able to be allocated to intermediate products. Intermediate products will then require a further allocation to achieve costs at a purchase unit level.

7.5.2 For Districts with patient event level costing systems, costs will be allocated directly to products. To allow aggregation at the Cost Pool level restrictions need to be made to ensure that products can only be allocated certain types of costs within a Cost Pool.

7.5.3 Providers are advised to cost at an individual department (Cost Centre) level and then amalgamate costs to intermediate product cost pools by site.

* 1. Disclosure of Product Volumes Included/Excluded from District Costing Systems – Reconciliations and Audit

Schedule

* + 1. The following shall be disclosed separately:
1. A reconciliation of the volumes of each product back to District costing or information systems used to collect volumes of products
2. The disclosure of any volumes not used in costing of products and verification of matching principal for the dead-ending of costs.

Commentary

7.6.2 The purpose of this Schedule is to develop unit costs per product, which requires the same level of accuracy as the measurement of costs.

* 1. Intermediate Product Definitions

Schedule

* + 1. Cost Pools used shall be consistent with sections 7.7.2 - 7.7.17 of this Schedule. The costs included and specifically excluded from these and the levels of definition anticipated in products are outlined in this schedule,
		2. Wards (A010)

The costs of providing the inpatient and day patient care within a Ward setting.

|  |
| --- |
| **Hierarchy of Products** |
| Level 1 | Bed day per wardDay CasePer NMDS definition (beds occupied at midnight) |
| Level 2 | Ward Days by Specialty:SurgeryMedicinePaediatricsMaternityRehabAcute AssessmentMental Health  |
| Level 3 | Ward Days or hours split by specialty and actual ward |
| Level 4  | Ward days or hours split by acuity / dependency system |
| Level 5  | Acuity by Shift or time of day ward hour differentiation |

|  |
| --- |
| Costs Included |
| Staff Costs | Charge NursesRegistered NursesEnrolled NurseClerical | Nursing poolStaff related costsNurse AidOther dedicated clinical staff |
| Other | LaundrySterile supplyStoresCleaningInfection controlImprest drugs | Medical RecordsAdmissionsUtilitiesAllocated overheadsDepreciation |
| Costs Specifically Excluded |
|  | Individual prescribed drugsPharmacyLaboratoryRadiology | Allied Health StaffBloodMedical StaffBeds managed by ED |

* + 1. Medical (A030)

The cost of providing the medical staffing care to: inpatients, day patients, outpatients and theatre or procedure room activities

|  |
| --- |
| **Hierarchy of Products** |
| Level 1 | Doctor Day for inpatientsDoctor DaycaseTheatre – Cutting TimeProcedure – e.g. Radiology stent insertion, forceps deliveryOutpatient attendance |
| Level 2 | As per Level 1 but by Service |
| Level 3 | As per Level 1 but by Specialty |
| Level 4 | As per level 1 by clinician type within Specialty |

|  |
| --- |
| Costs Included |
| Staff Costs | SMORegistrarHouse SurgeonCME costsClerical  | Other employment related costsMOSSCTA – where treated as a subsidy this must be able to be reported at this product level, otherwise it will need to be included as a separate revenue item.Nurse Practitioner |
| Other | Expenses related to medical staffAllocated overheads |  |
| Costs Specifically Excluded |
|  | Individually prescribed drugsPharmacyLaboratoryRadiologyMedical staff in clinical support roles (laboratory, radiology, pharmacy)Anaesthetists |  |

* + 1. Anaesthetist Senior Medical Officer (A036)

The cost of providing Specialist Medical Officer Anaesthetist care to: inpatients, day patients, and outpatients in any location.

|  |
| --- |
| **Hierarchy of Products** |
| Level 1 | Doctor Day for inpatients where the Anaesthetist is the principle attending specialistTheatre timeProcedure – e.g. pain clinicOutpatient attendance |
| Level 2 | As per Level 1 but by Service |
| Level 3 | As per Level 1 but by Specialty |
| Level 4 | As per level 1 by clinician type within Specialty |

|  |
| --- |
| Costs Included |
| Staff Costs | Anaesthetist SMOAnaesthetist RegistrarAssociated CME costsClerical  | Other employment related costs.CTA – where treated as a subsidy this must be able to be reported at this product level, otherwise it will need to be included as a separate revenue item. |
| Other | Expenses related to Anaesthetist medical staff noted above.Allocated overheads |  |
| Costs Specifically Excluded |
|  | Individually prescribed drugsAnaesthetic technicians Dedicated Critical Care Staff |  |

* + 1. Laboratory (A040)

Costs including all staff types of maintaining laboratory services.

|  |
| --- |
| **Hierarchy of Products** |
| Level 1 | LaboratoriesMortuary |
| Level 2 | BacteriologySerologyBiochemistrySkin Graft culturesToxicologyBlood ProcessingVirologyChemistryCytogeneticsCytologyEndocrinology LabHaematologyHistologyImmunohaematologyMicrobiologyMortuary |
| Level 3  | As level 2 at reported test level  |

|  |
| --- |
| Costs Included |
| Staff Costs | Laboratory SMOsLaboratory RMOsTechniciansTechnologistsStaff related costs | Registered NursesEnrolled NurseClerical Attendants |
| Other | LaundryContracted ServicesSterile supplyMed RecordsStoresUtilities Cleaning | Equipment R&MInfection control DepreciationChemicals and suppliesAllocated overheadsMortuary storagePost-mortem procedures |
| Costs Specifically Excluded |
|  | Individually prescribed drugs |  |

* + 1. Blood Bank (A050)

Costs of providing blood and blood products to patients, including all NZ Blood Service costs.

|  |
| --- |
| **Hierarchy of Products** |
| Level 1 | NZ Blood ServiceBlood Processing and matching |
| Level 2 | Individual Blood products |

|  |
| --- |
| Costs Included |
| Staff Costs | TechniciansTechnologists | Clerical  |
| Other | Contracted ServicesStoresUtilities  | Equipment R&MInfection control Allocated overheadsBlood and blood products |
| Costs Specifically Excluded |
|  | Individually prescribed drugs |  |

* + 1. Radiology (A060)

Costs including all staff types of maintaining radiology imaging services

|  |
| --- |
| **Hierarchy of Products** |
| Level 1 | Radiology Procedure |
| Level 2 | Radiology procedure by imaging department type:General X-raysCT ScansMRINuclear medicineSpecial procedures or interventions performed by Radiology staffUltrasonographyMammography |
| Level 3 | Cost per Relative Value Unit (RVU) per procedure or intervention in level 2  |

|  |
| --- |
| Costs Included |
| Staff Costs | Radiology SMOsRadiology RMOsTechniciansTechnologistsStaff related costs | Registered NursesEnrolled NurseClerical Attendants |
| Other | LaundryContracted Services Films and suppliesSterile supplyMedical RecordsStoresUtilities  | Equipment R&MInfection controlImprest drugsDepreciationChemicals and suppliesAllocated overheadsCleaning |
| Costs Specifically Excluded |
|  | Individually prescribed drugsPharmacyLaboratory |  |

* + 1. Clinical Support Staff (A070)

The cost of providing health professional support services and supplies to patients in any setting.

|  |
| --- |
| **Hierarchy of Products** |
| Level 1 | Department |
| Level 2 | Consultations by Department:AudiologyClinical PhysiologyDieteticsMaori Health WorkersOccupational TherapyOptometristOrthoptistOrthotics | Other Clinical SupportPlay TherapyPodiatryPhysiotherapyPsychologistRespiratory Medicine – Sleep ApnoeaSocial WorkSpecialist NursesSpeech Language Therapy |
| Level 3 | As for level 2 split by Activity Type which may include:First Assessment/contactFollow Up contact1: 1 Therapist contactGroup contacts (e.g. One staff to multiple clients).Multiple Therapist contacts (e.g. Two staff to single client at one time).Phone contacts | Enteral productsHearing testsHydrotherapy sessionsHome visitsPhysiology tests – Holter Monitor TreadmillStomal suppliesSplintsInpatient contactOutpatient contactSleep Apnoea assessment |
| Level 4 | Time based within above  |  |

|  |
| --- |
| Costs Included |
| Staff Costs | PsychologistsSocial workers ClericalSpeech TherapistsOccupational TherapistsAudiologistPhysiotherapistsNurse EducatorsMaori Health Workers | OrthoptistsOther employment related costsOther Allied Health ProfessionalsNeuro Development TherapistsSpecialist NursesClerical support |
| Costs Specifically Excluded |
|  | Individually prescribed drugsPharmacyLaboratoryRadiologyMedical Staff |  |

* + 1. Theatre/ Procedure Rooms (A080)

Facility and staff costs for operating theatre and recovery rooms. Includes specific procedure rooms where anaesthesia may not always be required and Maternity Unit Caesarean theatres.

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| --- |
| **Hierarchy of Products** |
| Level 1 | Anaesthesia Minute |
| Level 2 | As for Level 1 by Specialty |
| Level 3 | As for Level 1 by Specialty and by Theatre Type or anaesthesia type |
| Level 4  | Per Level 3, further split by complexity |

|  |
| --- |
| Costs Included |
| Staff Costs | Charge NursesRegistered NursesEnrolled NurseNursing poolStaff related costs | Theatre OrderliesAnaesthetic techniciansClerical  |
| Other | LaundryAnaestheticsSterile supplyMedical RecordsStoresUtilities Imprest drugs | Equipment R&MInfection controlDepreciationChemicals and suppliesAllocated overheadsCleaning |
| Costs Specifically Excluded |
|  | Medical PharmacyLaboratory | Individually prescribed drugsImplants high cost disposables Anaesthetists |

* + 1. Implants and Single Use Expensive Items (A120)

Costs of implants and high-cost disposable items used in theatre and procedure rooms. Refer to Schedule 2 Implant and Prostheses for account code ranges.

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| --- |
| **Hierarchy of Products** |
| Level 1 | Implants cost by standard RVU by ICD Procedure Code. |
| Level 2 | Implants/disposable supplies tracked to individual patients. Lower cost implants allocated by DRG or ICD Procedure Code. |
| Level 3 | All implant costs tracked to individual patient events. |

|  |
| --- |
| Costs Included |
| Other | Implants costs and high cost disposables |  |
| Costs Specifically Excluded |
| Staff Costs | All staff costs | Overhead costs |

* + 1. Pharmacy (A090)

Costs of maintaining pharmacy services for individually prescribed drugs. The pharmacy staff cost of filling and maintaining imprest drug stores, where the individual patient receiving the drug is not electronically recorded, should be allocated to those drug store areas. Examples are Emergency department, wards and community nursing.

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| --- |
| **Hierarchy of Products** |
| Level 1 | Prescribed drug and dosage |

|  |
| --- |
| Costs Included |
| Staff Costs | PharmacistsTechniciansTechnologists | AttendantsClerical Staff related costs |
| Other | DrugsPharmaceuticalsStoresCleaningInfection controlChemicals and supplies | LaundryMedical RecordsUtilitiesEquipment R&MDepreciationAllocated overheads |
| Costs Specifically Excluded |
|  | RadiologyLaboratory |  |

* + 1. Claimable Pharmaceuticals (A150)

Costs of maintaining pharmacy services for individually prescribed pharmaceutical cancer treatment drugs as specified in the Pharmac schedule and any other drugs that are reimbursed by Pharmac. The pharmacy staff cost of filling and maintaining imprest drug stores, where the individual patient receiving the drug is not electronically recorded, should be allocated to those drug store areas. Examples are Emergency department, wards and community nursing.

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| --- |
| **Hierarchy of Products** |
| Level 1 | Claimable Pharmaceuticals by Purchase Unit |
| Level 2 | Claimable Pharmaceuticals tracked to individual patients. |

|  |
| --- |
| Costs Included |
| Dispensing Costs | PharmacistsTechniciansTechnologists | AttendantsClerical Staff related costs |
| Other | Claimable pharmaceutical costs.Allocated overheads | Claimable pharmaceutical cost recovery is specified in a separate cost group within this cost pool. |
| Costs Specifically Excluded |
|  | LaboratoryRadiology |  |

* + 1. Critical Care (A100)

The cost of providing the inpatient and day patient care within an Intensive Care Unit, Neonatal ICU, Coronary Care Unit or other high dependency specialist unit.

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| --- |
| **Hierarchy of Products** |
| Level 1 | Critical Care Day |
| Level 2 | ICU / ITU DayCCU DaySCBU DayNICU DayOther Special Care Units |
| Level 3 | Same categories as above but in hours |
| Level 4  | Hours differentiated by level of intensity |

|  |
| --- |
| Costs Included |
| Staff Costs | Charge NursesRegistered NursesEnrolled Nurse ClericalNursing pool | Staff related costs*Dedicated staff only for:*SMORegistrarHouse Surgeon |
| Other | Sterile supplyStoresCleaningInfection controlImprest drugs | LaundryMedical RecordsUtilitiesDepreciationAllocated overheads |
| Costs Specifically Excluded |
|  | Individual prescribed drugsPharmacyLaboratory | RadiologyOther Medical Staff Allied Health Staff |

* + 1. District Emergency Department (A110)

The cost of providing the Emergency Department service. This includes costs of Acute Assessment Units managed within the same clinical directorate as the Emergency Department, but not assessment/short stay wards which are outside of the ED Director’s management scope.

|  |
| --- |
| **Hierarchy of Products** |
| Level 1 | ED Attendance or Acute Assessment Unit attendance |
| Level 2 | As for Level 1 by District ED triage Score |
| Level 3 | Specific types of attendance – by specialty or patient presentation type, plaster room, etc. |
| Level 4  | As above with hours  |
| Level 5  | As for Level 4 with differentiation by level of resource intensity  |

|  |
| --- |
| Costs Included |
| Staff Costs | Charge NursesRegistered NursesEnrolled NurseClericalNursing poolStaff related costs | Plaster room *District ED only:*SMORegistrarHouse Surgeon |
| Other | Sterile supplyStoresCleaningInfection controlImprest drugs | LaundryMedical RecordsUtilitiesDepreciationAllocated overheads |
| Costs Specifically Excluded |
|  | Individual prescribed drugsPharmacyLaboratory | RadiologyMedical Staff - not specifically employed in EDAllied Health Staff |

* + 1. Outpatient Utilisation (A020)

The cost of providing the outpatient clinic facility. This includes facilities providing pre-admission & post discharge assessments, secondary Obstetric Clinics, Orthopaedic Fracture Pregnancy & Parenting Education, Sexual Health, Specialist nursing clinics and Procedure units e.g. Endoscopy.

|  |
| --- |
| **Hierarchy of Products** |
| Level 1 | Outpatient attendance by Specialty  |
| Level 2 | As level 1 - Differentiated by visit type First / Follow-up / DNA / Pre-admit / Procedure |
| Level 3 | As level 2 - Identify individual procedures such as gastroscopy, ERCP, LLETZ |
| Level 4  | As for level 3 but time based |

|  |
| --- |
| Costs Included |
| Staff Costs | Charge NursesRegistered NursesEnrolled Nurse | Clerical supportStaff related costsNurse Aids |
| Other | Sterile supplyStoresCleaningInfection controlAdmissionsImprest drugs | LaundryMedical RecordsUtilitiesDepreciationAllocated overheads |
| Costs Specifically Excluded |
|  | Individual prescribed drugsPharmacyLaboratory | RadiologyMedical StaffAllied Health Staff |

* + 1. Community - Public Health Protection & Promotion (B010)

Note: The following Community product pools (7.7.13a to e) may be amalgamated in a single Community product pool group, but are specified here for clarity of costs to include in the intermediate product pool.

The cost of providing Health Protection & Promotion Services in the Community such as:

* Air Quality
* Burial & Cremation
* Civil Defence
* Environmental Noise
* Drinking Water
* Hazardous Substances
* Childcare
* Recreational Water
* Liquor Licensing
* Communicable Diseases
* Smoke Free Act
* Resource Management Act
* Food Monitoring
* Sewerage Treatment
* Port Health
* Shellfish & Shellfish Water
* Waste Management/Contaminated Land
* Social Environmental Health
	+ School Health
	+ Community Health
* Well Child Promotion-Parenting
	+ Hearing Loss Prevention
	+ Immunisation
	+ Oral Health
	+ Rheumatic Fever Prevention
	+ SIDS Prevention (Sudden Infant Death)
* Unintentional Injury Prevention
	+ Road Safety
	+ Child Abuse
* Non Communicable Diseases
	+ Sun safety
	+ Cervical screening
	+ Asthma Prevention
	+ Cardiac health
	+ Diabetes
* Mental Health Promotion
	+ Youth Suicide Prevention
	+ Stress Relief
* Nutrition & Activity
	+ Dietary Advice
	+ Exercise Programs
* Maori and Youth Health

|  |
| --- |
| **Hierarchy of Products** |
| Level 1 | Program |
| Level 2 | Level 1 by hours |

|  |
| --- |
| Costs Included |
| Staff Costs | Dedicated clinical support staff such as Dieticians.Clerical staffStaff related costs |  |
| Other | Sterile supplyStoresCleaningInfection controlAdmissionsPromotional materialsTransportAdministrationTelecommunicationsSupplies | LaundryMedical RecordsUtilitiesDepreciationAllocated overheadsInfection ControlInsurance & OverheadsLegalRent |
| Costs Specifically Excluded |
|  |  |  |

* + 1. Community - School Dental Program (B020)

The costs of providing Dental Therapist treatment for Children Services including treatment to under 5’s, Primary School children and some adolescents.

|  |
| --- |
| **Hierarchy of Products** |
| Level 1 | Dental Therapist Attendance |
| Level 2 | Contact Type (School visits, Education, Treatment, Follow-up, Parent) |
| Level 3 | Treatment carried out (cavities filled etc.) |
| Level 4  | Nurse TimeSupplies Used |

|  |
| --- |
| Costs Included |
| Staff Costs | Dental TherapistsChairside assistantsClericalStaff related costs |  |
| Other | EquipmentTransportLaundryDepreciation | StoresRecordsImprest drugs and medical suppliesAllocated Overheads |
| Costs Specifically Excluded |
|  | Individually prescribed drugs |  |

* + 1. Community - Community Domiciliary Services (B030)

The costs of providing Domiciliary services to patients in the community excluding those services given by Clinical Support staff as detailed in CS 7.6. *Services include:*

* Rehabilitation
* Patient personal cares
* Home cleaning
* Medical services to patients
* Ostomy supplies
* Respiratory supplies
* C A P Dialysis (Dialysis provided through Community service only)
* Palliative care

|  |
| --- |
| **Hierarchy of Products** |
| Level 1 | Domiciliary Visit by nursing staffDomiciliary visit by care assistantDomiciliary visit by Home Help Meals on WheelsSupplies provided as part of the domiciliary visit |
| Level 2 | As for Level 1 with additional differentiation for specialist nurse visits and ostomy, oxygen, continence and dialysis supplies provided as part of the domiciliary visit. |
| Level 3 | As for Level 2 with further differentiation by visit activity:Co-ordination / appraisal TimeEquipment / SuppliesFollow up/sTelephone Contact |
| Level 4 | As for Level 3 time based |

|  |
| --- |
| Costs Included |
| Staff Costs | Registered NursesEnrolled NursesCare assistants | Home HelpClericalStaff related costs |
| Other | TransportAllocated OverheadsStores and medical suppliesDepreciationTelecommunication | AdministrationEquipmentLaundryInsuranceSterile supplyImprest drugs |
| Costs Specifically Excluded |
|  |  |  |

* + 1. Community - Needs Assessment and Service Coordination (B040)

The cost of providing assessments, service co-ordination and budget management for community support and residential care enabling people with disabilities to maximise their independence.

*Services Include:*

* Assessments for the disabled - Co-ordination of services to be provided.
* Budget Management for community support.

|  |
| --- |
| **Hierarchy of Products** |
| Level 1 | Assessments & Co-ordinations Consultations |
| Level 2 | A&C Type (Reviews, follow-ups, initial referral) |

|  |
| --- |
| Costs Included |
| Staff Costs | Co-ordinatorsAssessorsClerical Staff  | Community Health WorkerSocial WorkerStaff related costs |
| Other | TransportTelecommunicationsCleaningStationery | Equipment & SuppliesOverheadsDepreciation |
| Costs Specifically Excluded |
|  |  |  |

* + 1. Community Child and Youth Health Services – Well Child Services (B050)

The costs associated in improving the health status of children and young people.

*Services Include:*

* Contraception advice and products for youth
* Public Health Nurse Visits to schools, play centres,
* Kindergartens and Kohanga Reo.
* Child advocacy (behavioural problems in children & Neonatal problems)
* Vision & Hearing Testing
* Community Hearing

|  |
| --- |
| **Hierarchy of Products** |
| Level 1 | Well Child Visits |
| Level 2 | Attendance type (VHT, Advocacy, PHN, and Contraception) |
| Level 3 | Visits Types (Referrals/ Consultations / Follow-ups/ Phone call) |

|  |
| --- |
| Costs Included |
| Staff Costs | Contraception WorkerSocial workersPublic Health NursesVision / Hearing TestersNeuro Development Therapist | General Medical PractitionerClericalManagementStaff Related costs |
| Other | TransportTelecommunicationsEquipmentLaundryCleaning | Sterile supplyAllocated overheadsDepreciationMedical Records |
| Costs Specifically Excluded |
|  |  |  |

* + 1. Residential - Mental Health, Intellectual or Physical Disability (C020)

The cost of providing residential services

|  |
| --- |
| **Hierarchy of Products** |
| Level 1 | Bed day |
| Level 2 | Bed day - Level 1Bed day - Level 2Bed day - Level 3Bed day - Level 4 |

|  |
| --- |
| Costs Included |
| Staff Costs | Charge NursesRegistered NursesEnrolled Nurse | Clerical Staff related costs |
| Other | LaundryMedical RecordsSterile supplyAdmissionsStoresUtilitiesTransport | CleaningAllocated overheadsInfection controlDepreciationMedical CostsImprest drugsCommunications |
| Costs Specifically Excluded |
|  | Individual prescribed drugsAllied Health Staff | LaboratoryRadiology |

* + 1. Mental Health – Community (C010)

The cost of providing the Mental Health community and outpatient service.

Note: MH Community product pools are amalgamated in a single Community MH product pool group and include all MH Community Services such as Alcohol and Drug counselling, Methadone programs, Child and Adolescent MH, MH Services for Older People and Community Adult Health Services.

|  |
| --- |
| **Hierarchy of Products** |
| Level 1 | Contact by Health Professional Type such as psychiatrist, psychologist, counsellor, Maori mental health worker, etc. |
| Level 2 | As for level 1 by specialty |
| Level 3 | Per Level 2 By: Visit / Attendance / Consultation – Individual Day case/ day hospital attendance Group Visit/attendance Liaison/contact Assessment Crisis Team Intervention Methadone program |
| Level 4  | As level 3 First Follow up |
| Level 5  | Face to face Did not attend Travel time Indirect time Telephone contacts |
| Costs Included |
| Staff Costs | PsychiatristsCharge NursesRegistered NursesEnrolled NurseOccupational TherapistsSocial workers | PsychologistsOther community mental health workersClerical Staff related costs |
| Other | LaundryMedical RecordsSterile supplyAdmissionsStoresUtilitiesTransport | CleaningAllocated overheadsInfection controlDepreciationMedical CostsImprest drugsTelecommunications |
| Costs Specifically Excluded |
|  | Individual prescribed drugs | LaboratoryRadiology |

* + 1. Obstetrics - Delivery Suite (F010)

The cost of providing care within the delivery suite. Includes Facility costs only.

|  |
| --- |
| **Hierarchy of Products** |
| Level 1 | DeliveryWomen giving Birth |
| Level 2 | Normal deliveryOther complex deliveryUndelivered (False Labour) |
| Level 3 | Level 2 with more detail for other complex |
| Level 4  | Level 3 plus procedures such as epidural, induction and augmentation |
| Level 5  | Level 4 plus. Hours in labour by stage |

|  |
| --- |
| Costs Included |
| Staff Costs | Charge NursesNurse AidRegistered NursesFacility cover only | Enrolled Nurse Clerical Nursing poolStaff related costs |
| Other | LaundryMedical RecordsSterile supplyAdmissionsStoresUtilities | CleaningAllocated overheadsInfection controlDepreciationAnaesthetic drugsImprest drugs |
| Costs Specifically Excluded |
|  | Individual prescribed drugsLead Maternity CarersLaboratoryRadiology | Medical StaffAllied Health StaffBlood |

* + 1. Obstetrics - Lead Maternity Carers (F020)

The cost of providing Lead Maternity Care. Excludes Facility costs.

|  |
| --- |
| **Hierarchy of Products** |
| Level 1 | Women registered with Service |
| Level 2 | Women by module |
| Level 3 | Contacts by module |
| Level 4  | Level 3 plus Detail of visit type and delivery |
| Level 5  | Level 4 plus. Hours in labour by stage |

|  |
| --- |
| Costs Included |
| Staff Costs | Midwives LMC onlyObstetricians LMC OnlyStaff related Costs |  |
| Other | Med Records | Allocated overheads |
| Costs Specifically Excluded |
|  | DrugsMedical Staff PharmacyMaternity facility costs | LaboratoryRadiologyAllied Health StaffBlood |

* + 1. Other Treatments (G010)

The cost of providing any other patient treatment or service not included elsewhere

|  |
| --- |
| **Hierarchy of Products** |
| Level 1 | Treatments and Outsourced Services |
| Level 2 | Radiology Interventional Treatment.Chemotherapy Treatment.Dialysis Treatment (not provided in a community setting).Pain Service Other Treatment.Outsourced or subcontracted patient services.Loan equipment used subsequent to Inpatient event.Community Ostomy, oxygen and other supplies not provided directly by a domiciliary service.Inter patient transport services – Air and Road ambulances.Patient accommodation subsidies. |
| Level 3 | Per Level 2, By Treatment/Speciality, mode or procedure Type |
| Level 4  | Per Level 3, By Complexity |

|  |
| --- |
| Costs Included |
| Staff Costs | Charge NursesRegistered NursesEnrolled NurseTechniciansTechnologists | Clerical Staff related costsSubcontracted / outsourced SMO cost when not differentiated as separate labour cost. |
| Other | LaundryMedical RecordsSterile supplyAdmissionsStores and supply costsUtilitiesPatient transport & accommodation costs or subsidies | CleaningAllocated overheadsInfection controlDepreciationImprest drugsOutsourced treatment costsLoan pool equipment R&M – including sleep apnoea equipment costs. |
| Costs Specifically Excluded |
|  | Individual prescribed drugsPharmacyLaboratoryIntra District ambulance travel | RadiologyMedical StaffAllied Health StaffImplants |

* + 1. Sterile Supplies (A140)

The cost of providing sterile supplies intermediate products.

Note: If these costs are not tracked to individually identified patient events, but instead are charged out to appropriate patient care areas, they should be included in the separate CS2 cost pool and included as a component of theatre, inpatient ward and outpatient CS7 intermediate products. These costs should not be recorded as overheads in any area.

|  |
| --- |
| **Hierarchy of Products** |
| Level 1 | Sterile supply charge per theatre setup, bed day, outpatient procedure, etc. |
| Level 2 | Sterile supply packs actual usage |
| Level 3 | Differentiated sterile supplies – gowns, linen, instruments, etc. |

|  |
| --- |
| Costs Included |
| Staff Costs | TechniciansClerical | Staff related costsOther dedicated sterile supply staff |
| Other | SuppliesCleaningUtilitiesLaundry | DepreciationAllocated OverheadsChemicals |
| Costs Specifically Excluded |
|  | Sales to external parties unless revenue recognised as a cost offset. |

* + 1. Other Patient Support Costs (A145)

The cost of providing other patient support costs to patients in any setting.

Note: If these costs are not tracked to individually identified patient events, but instead are charged out to appropriate patient care areas, they should be included in the separate CS2 cost pool and included as a component of theatre, inpatient ward, and outpatient CS7 intermediate products. These costs should not be recorded as overheads in any area.

|  |
| --- |
| **Hierarchy of Products** |
| Level 1 | Laundry and other patient support charge per theatre setup, bed day, outpatient attendance, etc. |  |
| Level 2 | Laundry supplied, Meals, Medical Coding service, Biomedical and other  | See CS1 for “Other Patient Support Costs” cost centre categories. |
| Level 3 | Actual Usage and descriptions |  |

|  |
| --- |
| Costs Included |
| Staff Costs | Dedicated Staff | Staff related costs |
| Other | SuppliesCleaningUtilitiesLaundry | DepreciationAllocated OverheadsChemicals |
| Costs Specifically Excluded |
|  | Sales to external parties unless revenue recognised a cost offset. | Other intermediate products were applicable |

## CS7 Table 1: Index of Cost Pools

|  |  |  |  |
| --- | --- | --- | --- |
| **CCS #** | **CCS Definition** | **Code** | **NCCP Reporting Category** |
| 7.7.2 | Wards | A010 | Wards |
| 7.7.3 | Medical | A030 | Med/Surg |
| 7.7.4 | Anaesthetists | A036 | Anaesthetists |
| 7.7.5 | Laboratory | A040 | Lab  |
| 7.7.6 | Blood Bank | A050 | Blood |
| 7.7.7 | Radiology | A060 | Radiology |
| 7.7.8 | Clinical Support Staff | A070 | Other  |
| 7.7.9 | Theatre / Procedure Rooms | A080 | Theatre |
| 7.7.10 | Implants and Single Use Expensive Items | A120 | Implants |
| 7.7.11 | Pharmacy | A090 | Pharm |
| 7.7.12 | Claimable Pharmaceuticals | A150 | Pharm |
| 7.7.13 | Critical Care | A100 | Critical Care |
| 7.7.14 | District Emergency Department | A110 | ED |
| 7.7.15 | Outpatient Utilisation | A020 | Other |
| 7.7.16 | Community – Public Health Protection and Promotion | B010 | Other |
| 7.7.17 | Community – School Dental Program | B020 | Other |
| 7.7.18 | Community – Community Domiciliary Services | B030 | Other |
| 7.7.19 | Community – Needs Assessment and Service Coordination | B040 | Other |
| 7.7.20 | Community Child and Youth Health Services – Well Child Services | B050 | Other |
| 7.7.21 | Residential – Mental Health, Intellectual or Physical Disability | C020 | Other |
| 7.7.22 | Mental Health – Community | C010 | Other |
| 7.7.23 | Obstetrics – Delivery Suite | F010 | Other |
| 7.7.24 | Obstetrics – Lead Maternity Carers | F020 | Other |
| 7.7.25 | Other Treatments | G010 | Other |
| 7.7.26 | Sterile Supplies | A140 | Other |
| 7.7.27 | Other Patient Support Costs | A145 | Other |

## CS7 Appendix 1: Central Sterile Supply Costs

The standards provide several options for the treatment of sterile supply costs. This appendix details how Districts determine which option they should choose.

**Guidelines**

Sterile supply services are defined in the Costing Standards as a Patient Care/Patient Support Department as opposed to an overhead or Non-Core Department, see - CS1 Table 1: COST CENTRE CATEGORIES.

If a hospital has a Central Supply Unit, i.e. a sterile supply service that is a separate cost centre that provides services to different departments in the hospital e.g. theatres and the costs can't be tracked and allocated directly to a patient then they should be transferred to a 'patient care' cost centre as a direct cost.

*"In these circumstances, Patient Support Cost Centres should be assigned to the Patient Care Cost Centres which have ordered or consumed the service, using the Common Chart of Accounts (CCoA) or Financial Reporting Enabling Data (FRED) internal recharging account codes"* - Schedule 1, Cost Centre Categories, Section 1.4 Definitions, Subsection 1.4.1 e.

The purpose of this section is to ensure sterile supply service costs held in a central cost centre that provides services to multiple departments, are treated as direct costs and not overheads.

**Central Sterile Supply Costs - CS2 Category**

1. When sterile supply costs are allocated to patient care cost centres via internal recharging account codes they should be reported under the CS2 category DK.

*"Central Sterile Supply (DK): costs not directly attributed to patients and recharged using 8000 account code range for CSSD Services. Note there should not be any internal surplus included in the recharged amount (see Schedule 6 - CS6)" –* Schedule 2, Cost Groups, Section 2.4 Definitions, Subsection 2.4.1.n.

1. If however sterile supply costs are part of a patient care cost centre such as a theatre or a ward then they should be reported under the following CS2 categories:
	* + DD Non-Clinical Support Labour.
		+ DH Other Clinical Costs.

**Central Sterile Supply Costs - CS7 Category**

1. Sterile supply costs can be reported under the CS7 category that contains the patient service they were part of e.g. Theatres (A080), Wards (A010) and Laboratory (A040). For example, if sterile supply costs are included in the theatre cost centre then they can be reported under the Theatre CS7 category (A080).
2. Alternatively if they can be tracked and reported against individual patients or allocated to patients using a proxy feeder (e.g. one theatre event equals one sterile supply unit), then they can be reported under their own CS7 category i.e. 7.7.17a Sterile Supplies (A140).

*"7.7.17a Sterile Supplies (A140)*

*The cost of providing sterile supplies intermediate products.*

*Note: If these costs are not tracked to individually identified patient events, but instead are charged out to appropriate patient care areas, they should be included in the separate CS2 cost pool and included as a component of theatre, inpatient ward and outpatient CS7 intermediate products. These costs should not be recorded as overheads in any area." –* Schedule 7, Intermediate Products, Section 7.7.17A Sterile Supplies (A140)

**TREATMENT OF STERILE SUPPLY COSTS DECISION TREE**

 Sterile Supply Costs

Centrally located i.e. allocated to a generic cost centre

that covers more than one patient care area?

 Yes No

Yes Can the cost be tracked No Report under CS7 category the cost

 to patient events? centre maps to e.g. wards, theatre- (C)

Report under Report under CS2 category

CS7 category (A140)-(D) CS7 category according (i) Other Costs and

 to transfer charging e.g. d) Non Clin. Support

 Wards, Theatre, etc. – (C) Lab–(B)

CS2 category (i) CS2 category (k) Central Supply

Other Costs and d) Costs – (A)

Non Clinical Support

Labour - (B)

# Te Whatu Ora Costing Guidelines

**Purpose of the Costing Guidelines**

The costing guidelines have been created to achieve the following objectives:

1. Assist Districts when they are implementing an event level costing system.
2. Enable Districts to assess their costing methodology in comparison to other Districts.
3. Assist the interpretation of event level costing data.
4. Improve the development of the Costing Standards.

**Relationship of the Costing Guidelines to the Costing Standards**

The Costing Standards provide direction on the allocation of costs to patient events and the categorisation of the expenses and the products (CS7) that should be used to represent the goods and services provided.

The guidelines provide information on the products that Districts have chosen to use to allocate costs to patient events, and the type of costs that are allocated by each product.

Therefore they provide information on how Districts have applied the costing standards in relation to schedule seven Intermediate Products, i.e. the goods and services costed and allocated to patient events.

**Schedule of current guidelines (version 11, June 2019):**

Guideline 1: CRITICAL CARE (CS7.7.13 - A100)

Guideline 2: EMERGENCY (CS7.7.14 - A110)

Guideline 3: THEATRE/PROCEDURE ROOMS (CS7.7.9 - A080)

Guideline 4: WARDS (CS7.7.2 - A010)

Guideline 5: ONCOLOGY & HAEMATOLOGY SERVICES

Guideline 6: *Moved to guideline 11 (AMBULANCE)*

Guideline 7: MEDICAL COST POOL (CS7.7.3 - A030)

Guideline 8: TREATMENT OF GOVERNANCE COSTS

Guideline 9: MATERNITY

Guideline 10: UNCOUNTED SERVICES / SPREAD COSTS

Guideline 11: AMBULANCE / PATIENT TRANSPORT SERVICES

Guideline 12: AUDIT GUIDELINE FOR COSTING RENAL SERVICES

**Guidelines location:**

https://www.tewhatuora.govt.nz/our-health-system/nationwide-service-framework-library/financial-standards-and-guidelines/