

The Cost Benchmarking Software

Background

The NHS is currently looking at a whole raft of service changes in order to improve the health of the population so that care can be delivered more efficiently.

However, RSR Consultants Ltdⁱ have always believed that there is still a lot that can be done by providers to deliver the same care they are currently delivering but at a lower cost.

We are not alone in this belief – the Carter Review¹ estimated that there is £5bn of efficiency opportunity and this is led to the development of the Model Hospital (now Model Health System) tool.

As a consequence of the Carter Review, The Getting It Right First Time² (GIRFT) national programme is looking at 35 clinical specialties to identify this unwarranted variation.

Whilst there are these nationally streams of work it is still important for providers to look for themselves at the opportunities there are to reduce their costs of delivering care.

Our Cost Benchmarking software does just that by giving hospitals (acute and mental health) an indication of where there is an opportunity for them to reduce their costs and, most importantly, **which other providers they could learn from** in order to do so.

It does this by utilising activity and cost information in published reference costs³ (now called National Cost Collection) to create up to 300 benchmark peer groups (1 per Subchapter e.g. AB Pain Management and Point of Delivery i.e. Day Case, Elective, Short Stay Non Elective, Other Non Elective) of other providers with similar volumes of activity (so face the same [dis]economies of scale) and casemix (and so have the same complexity of care).

It does the same for Mental Health services too although without the refined groupings it just works on volumes by each of the 86 services rather than based on volumes and casemix.

Please note: whilst the source data is already aggregated and not patient level and whilst there is nothing remotely patient identifiable in the source data anyway, a blank activity field signifies that small number suppression has been applied.

¹ <https://www.gov.uk/government/publications/productivity-in-nhs-hospitals> and then <https://www.england.nhs.uk/applications/model-hospital/>

² <http://gettingitrightfirsttime.co.uk/workstreams/>

³ <https://www.england.nhs.uk/costing-in-the-nhs/national-cost-collection/>

Acute Illustration

The starting point is the results at a subchapter level (with the top 10 shown below):

Service	Sub Chapter	Cost > Peer ↓
OP	WF	Non-admitted Consultations
		£16609k
AE	VB	Emergency Medicine
		£11217k
APC	HN	Orthopaedic Non-Trauma Procedu
		£11041k
DAP	BI	Direct Access Pathology
		£7301k
APC	CD	Dental and Orthodontic Procedu
		£6735k
DAP	HE	Orthopaedic Disorders
		£4826k
APC	MA	Female Reproductive System Pro
		£4704k

By selecting HN Orthopaedic Non Trauma and clicking on the £11041k figure it shows how this opportunity breaks down by point of delivery and Healthcare Resource Group:

APC HN : Orthopaedic Non-Trauma Procedures												
Switch to HRG View		DC 11.7@15%†			EL 15.4@10%†			NEL 8.6@25%†				
Sort by Name	Cost>Peer↓	Cost > Peer	Activ	Cost > Peer	LoS>	Activ	Cost > Peer	LoS>	Activ			
Subchapter Level:	£11,040k	£1,823k	24%	1,837	£8,489k	40%	0.0	1,370	£727k	12%	0.0	328
HN22: Very Major Knee Procedure	£3,538k	£6k	5%	16	£3,531k	44%	0.0	479	£1k	0%	0.0	15
HN12: Very Major Hip Procedures	£1,896k	£xk	x%		£1,917k	40%	0.0	277	£-21k	-3%	0.0	32
HN81: Complex Hip or Knee	£1,164k	£xk	x%		£1,121k	49%	0.0	80	£44k	4%	0.0	44

This shows that the bulk of the opportunity is in Elective activity and then specifically in Elective HN22 Very Major Knee Procedures where the provider could be 44% more efficient (maybe save money but more likely treat more patients for the same money) if they copied the average performance of their 15 peers for Elective subchapter HN activity.

Scrolling down it then shows the specific peers and usually the opportunity is higher than the average should the best performing peers be learned from/copied:

HRG Level:	£3,538k	£6k	5%	16	£3,531k	44%	0.0	479
Peers just for HRG		RTD	31%	32	RXP	57%	0.0	596
HN22 Very Major Knee Procedures for Non-Trauma		RGN	23%	27	RH5	54%	0.0	497
		R0B	20%	45	RHM	53%	0.0	257
		RTE	14%	53	RVV	52%	0.0	528

The next step is to ask if the activity reporting and/or costing could be 40% wrong which is a massive level of error but the question still needs to be asked.

In parallel, the PLICS Portal (which is incredibly detailed) can be accessed to see why the peers cost some much less per patient as this might generate some ideas on how to change.

Ultimately it is a visit to one or more of the peers to see what can be learned from the people actually delivering and managing the service.

Mental Health Illustration

It works the same as for the acute service but unfortunately the way Mental Health services are reported does not allow for the concept of “Casemix” to be applied in any detailed fashion.

For example, there are contacts for A01 Day Care Service but there is no indication of the length of the contact or the complexity of the care being offered.

So rather than showing the information by “Subchapter” (the first two letters of the Healthcare Resource Group or HRG) it instead shows it by MHC for contacts, MHP for admissions and IAP for talking therapies:

Service	Sub Chapter	Cost > Peer ↓
MHC	MH	Mental Health
		£11828k
MHP	MH	Mental Health
		£4463k
IAP	MH	Mental Health
		£-3014k

This means that the benchmarked peers are solely done on volume of activity and in the below example, this MH provider has 159,732 Community MH Team – Functional contacts a year and has 12 other providers who have a similar (within 20%) volume.

MHC MH :

Switch to Core HRG View		A01 6.0@25%†			A02 11.0@20%†		A05†	A06 12.0@20%†	
Sort by Name	Cost>Peer↓	Cost > Peer	Activ	Cost > Peer	Activ	Activ	Cost > Peer	Activ	
Service Level:	£25,663k	£-160k	-65% 1,485	£-1,005k	-7% 42,241	0	£18,051k	29% 159,732	
No_Split: MH has no service/PoD spl	£25,661k	£-160k	-65% 1,485	£-1,005k	-7% 42,241		£18,051k	29% 159,732	
Service Level:	£25,663k	£-160k	-65% 1,485	£-1,005k	-7% 42,241	0	£18,051k	29% 159,732	
Peers for whole service by PoD		RXV	47% 1,212	RWR	28% 45,506		RXG	48% 183,229	
		RWK	41% 1,666	RXX	28% 42,551		RT2	41% 190,578	
		R1L	-30% 1,847	RXE	16% 40,460		RXT	39% 176,666	
		RMY	-53% 1,709	RQY	7% 35,519		RKL	39% 144,874	
		RPG	-63% 1,240	RWV	6% 45,220		R1L	38% 152,237	
		RT2	-288% 1,787	RT2	6% 35,594		RWV	30% 191,450	
				RW1	0% 38,105		TAJ	29% 148,585	
				RMY	-25% 35,861		RHA	21% 164,406	
				TAJ	-27% 42,201		RT5	21% 142,833	
				RP7	-29% 39,837		RWK	18% 134,801	
				RX4	-76% 49,425		RNU	13% 190,000	
							RXX	0% 140,255	

If they could copy their peers then they could reduce their cost per contact by 29% on average but, unlike with the Acute illustration, there is a much greater risk that this is not a like for like comparison.

End Note

ⁱ RSR Consultants Ltd, headed up by Richard Russell FCA, has been working continuously with National Tariff since its inception in 2003 when it was first known as Financial Flows, then became Payment by Results and now the National Tariff Payment System.

They deliver training to hundreds of people every year via face to face events as well as via their accredited online training software.

In addition, they offer a hugely successful retainer service to both Commissioners and Providers alike across the country covering National Prices and related matters such as contracting, costing, coding and counting, grouping, service development impacts etc. Not only does this service essentially give in-house expertise at the fraction of the cost but our support can also help avoid the need for external consultancy helping improve the knowledge and expertise of NHS staff.

The Cost Benchmarking software has developed out of the expertise gained from being responsible for Reference Costs nationally when working at the Department of Health and several years of utilising them with clients to inform the setting of local prices and service development.