DHB Costing Standards

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Issued by
CFO TAG, DHB and Ministry Common Costing Group

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Changes between versions 14 and 15

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Introduction to DHB Costing Standards

Purpose of Costing Standards

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

The main purposes of the Standards are to:

1. Ensure consistency in costing and cost allocation within the DHB sector
2. Improve the quality of cost reporting
3. Improve operational decision-making within DHBs and hospitals
4. Provide better data for DHB benchmarking
5. Provide a sound basis for Inter-District Flow (IDF) pricing

Origin of Common Costing Standards

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 Common Costing Standards. The result of this joint project is the DHB 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 Common Costing Standards are:

- current version of the Common Chart of Accounts
- fte specification in a supplement to the Common Chart of Accounts
- current version of the NSF Data Dictionary
- common Counting Specification appended to the NSF Data Dictionary
- NSF Service Specification.

Activity-Based Costing (ABC)

The DHB 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 e.g. the allocation of overheads.

Explanatory Foreword to DHB Costing Standards

Explanatory Foreword to DHB Costing Standards, issued by CFO Technical Accounting Group (CFO TAG), Common Costing Group (CCG) and the Ministry of Health.

The purpose of this Explanatory Foreword is to:

a) Introduce the use of DHB Costing Standards;
b) Explain the relationship between DHB Costing Standards, Generally Accepted Accounting Practice (GAAP) and Financial Reporting Standards;
c) To set out responsibilities in relation to DHB Costing Standards.

1 DHB COSTING STANDARDS FRAMEWORK

1.1 The DHB Costing Standards ("the Standards") apply to District Health Boards (DHBs) operating in the Public Health Sector in New Zealand.

1.2 The Standards apply from 1 July 2005.

1.3 The Standards are rules that establish requirements for recognising, measuring and disclosing financial and non-financial costing information.

1.4 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.

1.5 The Standards have been developed around maximising three direct benefits for developing and utilising common costing methodologies. The benefits are:

Funding

Common costing standards will:

a) Enable DHBs to influence purchasing on the basis of like DHB products
b) Enable fair and equitable pricing and costing processes
c) Enable transparency in pricing and costing
d) Discourage cost shifting

Resource Allocation

Cost based pricing:

a) Leads to informed contract based resource allocation with Funder Arms
b) Provides a direct relationship between volume and resources
c) Provides a consistent methodology to allocate resources to products and services

Process Improvement

Standards will allow DHB benchmarking and inter DHB comparative analysis of costs at the following levels:

a) Cost Centres (CS1, Schedule 1)
b) Cost Groups (CS2, Schedule 2)
c) Cost Pools (CS7, Schedule 7)

1.6 The Standards do not provide a prescriptive recommendation of the structure of the General Ledger; this is covered by the Common Chart of Accounts.

1.7 The DHB Costing Standards are to be considered as a living document and the Costing Standards will continue to be developed and amended as needs change.

2 MATERIALITY

2.1 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.

2.2 Where statutes, regulations or rules and agreements binding on the entity, specify the form and content of reports, such specifications override considerations of materiality.

3 RELATIONSHIP WITH GENERALLY ACCEPTED ACCOUNTING PRACTICE, LEGISLATIVE AND THE OPERATIONAL POLICY FRAMEWORK

3.1 DHB Costing Standards are not intended to conflict with Generally Accepted Accounting Practice (GAAP) as described in accounting standards recommended by the New Zealand Institute of Chartered Accountants (NZICA).

3.2 In cases where there is a conflict between the DHB Costing Standards and relevant Financial Reporting Standards, the requirements of the Financial Reporting Standards take precedence for published reports.

3.3 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 DHB Costing Standards.

3.4 Compliance with DHB Costing Standards will not necessarily ensure compliance with GAAP, OPF, PFA and other legislation applicable to a particular entity.

4 COST REPORTS

4.1 DHB Costing 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.

4.2 Cost reports should be based on accurate information.

4.3 The Standards recommend that DHBs demonstrate a transparent methodology for cost reports to enable users to assess whether a DHB is complying with the costing standards. Where DHBs are not complying, full disclosure is required to allow for comparative assessment of DHB information.

4.4 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.

4.5 An objective of DHB Costing Standards is to improve reporting comparability and therefore usefulness to users.

4.6 DHB Costing Standards deal with varying needs at a number of levels and on a number of dimensions.

5 COSTING SYSTEMS

5.1 The Standards are expected to be complied with when DHBs have costing systems and used as guidance in other costing exercises.

5.2 DHBs are encouraged 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.

5.3 DHB Costing Standards are designed to reflect common and preferred practices in the New Zealand DHB Sector. New Zealand practices reflect the unique environmental pressures at play in the DHB Sector and thus they may not reflect International standards.

Summary of DHB Costing Schedules

Schedule 1 (CS1) – Cost Centre Categories
Schedule 2 (CS2) – Cost Groups
Schedule 3 (CS3) – Cost Centre Allocation Order
Schedule 4 (CS4) – Cost Centre and Cost Pool Allocation Methodology
Schedule 5 (CS5) – Cost Exclusions/Inclusions
Schedule 6 (CS6) – Treatment of Revenue
Schedule 7 (CS7) – Intermediate Products

SCHEDULE 1

COST CENTRE CATEGORIES

Schedule 1 - Cost Centre Categories

1.1 Introduction

Commentary

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

Cost Centres are divisions, departments or units that perform functional activities within a DHB Provider Arm. For each centre, cost accountability is maintained for revenues received and expenses incurred.

1.2 Application

Schedule

1.2.1 This Schedule applies to all DHBs.

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.

1.3 Statement of Purpose

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

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

a) Patient Care and Patient Support Cost Centres
b) Overhead Cost Centres
c) Non-core Cost Centres(refer to CS6, Schedule 6 - Cost Inclusions/Exclusions)
d) DHB Governance
e) Planning and Funding Cost Centres.

1.4 Definitions

1.4.1 PATIENT CARE AND PATIENT SUPPORT COST CENTRES

Commentary

a) 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 (eg Lab test) or on some assignment basis (eg Pharmacy cost).

b) Patient Care and Patient Support costs typically vary with patient volume.

c) Costs are attributed to patient events according to identified patient utilisation as defined in terms of the intermediate products described in CS7, eg Wards, Labs, Medical etc (recorded at NHI level).

d) Assigned Patient Support costs reflect supplies consumed by patients, but not individually linked to the patient event.

e) Differences between Patient Care Cost Centres and Patient Support Cost Centres are minor for DHBs 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 DHBs 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 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 DHB to track utilisation at patient level for Patient Support Services.

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

f) This issue is important for the design of common reporting methodologies that must take into account the fact that some DHBs do not have costing systems.

1.4.2 OVERHEAD COST CENTRES

Commentary

a) Overhead Cost Centres have no identifiable products that are consumed by publicly funded patients.

b) Overhead Cost Centres are not readily affected by changes in volume or patient mix.

c) Overhead Cost Centres provide a supporting role to the organisation.

d) Overhead costs should be allocated to other cost centres according to usage as outlined in Schedule 4 (CS4) - Cost Allocation Methodology.

1.4.3 NON-CORE COST CENTRES

Commentary

a) 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.

b) Non-core costs should be excluded from patient costs.

1.4.4 DHB GOVERNANCE PLANNING and FUNDING COST CENTRES

Commentary

a) The DHB organisation includes governance functions of Population Health Planning and Health Service funding. Some of these costs relate to Health Services funded by the DHB but provided by NGOs and other primary providers so need to be allocated to separate cost centres.

b) DHB Governance, Planning and Funding Cost Centres may receive costs allocated from the DHB Overhead Cost Centres where this is appropriate according to usage as outlined in Schedule 4 (CS4) - Cost Allocation Methodology.

c) DHB Governance Cost Centres may also allocate costs to the DHB Provider Arm Cost Centres where this is appropriate according to usage as outlined in Schedule 4 (CS4) - Cost Allocation Methodology.

d) DHB 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 recommend 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 eg 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.	

Function	Category	Cost Included	Cost Excluded
Good Employer	Overhead	Cafeteria, parking, staff usage & recreation and crèche costs	
DHB 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		

Function	Category	Cost Included	Cost Excluded
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 2

COST GROUPS

Schedule 2 - Cost Groups

2.1 Introduction

Commentary

2.1.1 This Schedule provides a guideline for DHB 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.

2.2 Application

Schedule

2.2.1 This Schedule applies to all DHBs

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

2.3 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. These Cost Groups are tracked when allocating costs and determining product or service costs. For DHBs 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 DHBs 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 DHBs have historically split costs into variable and fixed cost categories which tend to result in different categorisations within each DHB. 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.

2.4 Definitions

Schedule

2.4.1 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.

a) Medical Labour SMO (DR): all staff employed primarily as practising physicians and/or surgeons. Both employed staff and outsourced labour form part of this category with Common Chart of Account codes 2005 to 2025 and 3105 to 3119 making up this Cost Group.

b) Medical Labour RMO (DS): all staff employed primarily as practising physicians and/or surgeons. Both employed staff and outsourced labour form part of this category with Common Chart of Account codes 2035 to 2055 and 3125 to 3129 making up this Cost Group..

c) Nursing Labour (DB): all qualified nursing staff, registered / enrolled nurses, and nurse aides. Both employed staff and outsourced labour form part of this category with Common Chart of Account codes 2200 to 2399 and 3200 to 3299 making up this Cost Group.

d) Allied Health Therapist Labour (DN): all staff employed in therapy positions eg audiologists, dental therapists and podiatrists plus all psychologists and social / community workers. Both employed staff and outsourced labour form part of this category with Common Chart of Account codes 2400 to 2459, 2510 to 2599 and 3300 to 3329 making up this Cost Group.

e) Allied Health Technician Labour (DO): all staff employed in Allied Health technical positions eg laboratory assistants, pharmacists and ambulance officers. Both employed staff and outsourced labour form part of this category with Common Chart of Account codes 2463 to 2508, and 3335 to 3399 making up this Cost Group.

f) Management and Professional Labour (DP): all staff employed in Management positions eg executive staff and supervisors. Both employed staff and outsourced labour form part of this category with Common Chart of Account codes 2800 to 2829, and 3500 to 3539 making up this Cost Group.

g) Administrative Labour (DQ): all staff employed Administrative and Clerical positions eg secretarial and clerical staff. Both employed staff and outsourced labour form part of this category with Common Chart of Account codes 2830 to 2832, and 3545 to 3599 making up this Cost Group.

h) Non-Clinical Support Labour (DD): all support personnel employed in non-medical or 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 with Common Chart of Account codes 2602 to 2799 and 3402 to 3499 making up this Cost Group.

i) Pharmaceuticals (DF): all pharmaceutical costs in code range 4602 to 4685 of the Common Chart of Accounts

j) Implants (DG): all implant costs in code range 4502 to 4599 of the Common Chart of Accounts.

k) Other Clinical Costs (DH): all costs in the 4000 code range of the Common Chart of Accounts excluding Pharmaceuticals and Implants which are included above.

l) Infrastructure and Non-Clinical Supplies (DI): all costs in the 5000 code range of the Common Chart of Accounts excluding Building Depreciation, Leases and Rents (DM) noted below.

m) Outsourced Clinical Services (DJ): all outsourced clinical services costs in the code range 3602 to 3699 of the Common Chart of Accounts.

n) 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)).

o) Patient Support costs (DL): patient support costs e.g. laundry, as specified in CS1, if not used as a CS7 group (7.7.17b).

p) Building Depreciation, Leases and Rents (DM): these are costs that are incurred by direct patient care departments that are specific to building costs. Account codes to include are 5105, 5106, 5110, 5111, 5120.

Commentary

2.4.2 Labour costs include other employee related payroll costs e.g. allowances, gratuities, insurances, ACC levies, FBT, redundancy etc.

2.4.3 DHBs must endeavour to be as close to fully compliant as possible. Adequate information should be obtained on a periodic basis and entered into the DHB's costing system.

2.4.4 Infrastructure costs should include all costs related to the provision of the facilities and equipment. These should include all clinical equipment depreciation, maintenance, operating leases, insurance etc.

2.4.5 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.

a) Medical Labour SMO (OV): all staff employed primarily as practising physicians and/or surgeons. Both employed staff and outsourced labour form part of this category with Common Chart of Account codes 2005 to 2025 and 3105 to 3119 making up this Cost Group.

b) Medical Labour RMO (OW): all staff employed primarily as practising physicians and/or surgeons. Both employed staff and outsourced labour form part of this category with Common Chart of Account codes 2035 to 2055 and 3125 to 3129 making up this Cost Group.

c) 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 with Common Chart of Account codes 2200 to 2399 and 3200 to 3299 making up this Cost Group.

d) Allied Health Therapist Labour (ON): all staff employed in therapy positions eg audiologists, dental therapists and podiatrists plus all psychologists and social/community workers. 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 with Common Chart of Account codes 2400 to 2459, 2510 to 2540 and 3300 to 3329 making up this Cost Group.

e) Allied Health Technician Labour (OO): all staff employed in allied health technical positions e.g. laboratory assistants, pharmacists and ambulance 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 with Common Chart of Account codes 2460 to 2508, 2541 to 2599 and 3335 to 3399 making up this Cost Group.

f) Management and Professional Labour (OP): all staff employed in Management positions eg executive staff and supervisors. Both employed

staff and outsourced labour form part of this category with Common Chart of Account codes 2800 to 2829, 2965 to 2999 and 3500 to 3539 making up this Cost Group.

g) Administrative Labour (OQ): all staff employed Administrative and Clerical positions eg secretarial and clerical staff. Both employed staff and outsourced labour form part of this category with Common Chart of Account codes 2830 to 2839, 2941 to 2963 and 3540 to 3599 making up this Cost Group.

h) 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 with Common Chart of Account codes 2600 to 2799 and 3400 to 3499 making up this Cost Group.

i) Other Clinical Costs (OH): all costs in the 4000 code range of the Common Chart of Accounts.

j) Infrastructure and Non-Clinical Supplies (OI): all costs in the 5000 code range of the Common Chart of Accounts excluding Building Depreciation, Leases and Rents (OM) noted below.

k) Outsourced Non-Clinical Services (OS): all outsourced clinical services costs in the code range 3700 - 3899 of the Common Chart of Accounts.

l) Cost of Capital (OA): all interest and equity charges related to the business. Common Chart Codes 5405, 5425, and 5435.

m) 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 5105, 5106, 5110, 5111, 5120.

2.4.5 Revenue

a) Clinical Training Agency (CTA) Funding (OE): CTA is treated as an offset against expenses with Common Chart Account Code 1550. See Schedule 6 for guidelines on reporting CTA funding as revenue.

b) Pharmaceutical Cancer Treatment (PCT) Cost Recovery (OF): payments received from the Funder Arm (as per the Pharmac schedule) for PCT drug claims (see PCT Cost Recovery table (CS2).

c) Offset Revenue (OG): 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 the Common Chart of Accounts is offset against multiple groups of cost, it should be recorded as a “negative offset” in this group. For example, serviced outpatient clinic rooms subcontracted to a GP private provider would be offset against incurred staffing and infrastructure costs in the outpatients cost centre.

CS2 Table 1: Glossary of CS2 Codes

Code	Description	Unit
Direct Cost Groups		
DR	Medical Labour SMO	Labour Med
DS	Medical Labour RMO	Labour Med less CTA
DB	Nursing Labour	Labour Nurse
DN	Allied Health Therapist Labour	Labour Allied Therapist
DO	Allied Health Technician Labour	Labour Allied Technician
DP	Management and Professional Labour	Labour Mgt and Prof
DQ	Administrative Labour	Labour Admin
DD	Labour Non Clinical	Labour Non Clinical
DF	Pharmaceuticals	Pharmaceuticals
DG	Implants	Implants
DH	Other Clinical Costs	Other Clinical Costs
DI	Infrastructure and Non Clinical supplies	Infrastructure
DJ	Outsourced Clinical Services	Outsourced Clinical
DK	Central Sterile Costs not directly attributed to patients.	Central Sterile Supplies
DL	Patient Support Costs e.g. laundry as specified in CS1 if not used as a CS7 group (7.7.17b)	Patient Support Costs
DM	Building Deprn, Leases and Rents	Deprn, Leases, Rents
Overhead Cost Groups		
OV	Medical Labour SMO	Labour Med
OW	Medical Labour RMO	Labour Med less CTA
OZ	Nursing Labour	Labour Nurse
ON	Allied Health Therapist Labour	Labour Allied Therapist
OO	Allied Health Technician Labour	Labour Allied Technician
OP	Management and Professional Labour	Labour Mgt and Prof
OQ	Administrative Labour	Labour Admin
OR	Labour Non Clinical	Labour Non Clinical
OH	Other Clinical Costs	Other Clinical Costs
OI	Infrastructure and Non Clinical supplies	Infrastructure
OS	Outsourced Non Clinical Services	Outsourced Non Clinical
OA	Cost of Capital	Cost of Capital
OM	Building Deprn, Leases and Rents	Deprn, Leases, Rents
Revenue Off-set Cost Groups		
OE	Clinical Training Agency (CTA) Funding	CTA
OF	Pharmaceutical Cancer Treatment (PCT) Cost Recovery	PCT
OG	Offset Revenue	Offset Revenue

CS2 Table 2: PCT Cost Recovery

PCTs Identified by Pharmac for Cost Recovery	
Anagrelide hydrochloride	Hydroxyurea
Antithymocyte globulin (Equine)	Idarubicin hydrochloride
Arsenic Trioxide	Ifosfamide
Bleomycin sulphate	Interferon Alpha-2A
Busulphan	Interferon Alpha-2B
Calcium Folinate	Irinotecan
Capecitabine	Lomustine
Carboplatin	Melphalan
Carmustine	Mercaptopurine
Chlorambucil	Mesna
Cisplatin	Methotrexate
Cladribine	Mitomycin C
Colaspase (L-asparaginase)	Mitozantrone
Cyclophosphamide	Oxaliplatin
Cytarabine	Paclitaxel
Dacarbazine	Pentostatin (Deoxycoformycin)
Dactinomycin (Actinomycin D)	Procarbazine Hydrochloride
Daunorubicin	Rituximab
Docetaxel	Teniposide
Doxorubicin	Thalidomide
Epirubicin	Thioguanine
Etoposide	Trastuzumab
Etoposide phosphate	Tretinoin
Fludarabine	Vinblastine Sulphate
Fludarabine phosphate	Vincristine Sulphate
Fluorouracil Sodium	Vinorelbine
Gemcitabine Hydrochloride	

SCHEDULE 3

COST CENTRE ALLOCATION ORDER

Schedule 3 - Cost Centre Allocation Order

3.1 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.

3.2 Application

Schedule

3.2.1 This Schedule applies to DHBs internal recharging where iterative, step-down, or multiple step-down cost allocations are used. DHBs 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.

3.3 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.

3.4 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)).

3.5 Cost Centre Allocation Order

Commentary

3.5.1 The order of Cost Centre cost allocation is important to ensure consistency and comparability across all DHBs (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:

a) Overhead Cost Centre costs are allocated to Patient Care, Patient Support and Other Cost Centres
b) 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).

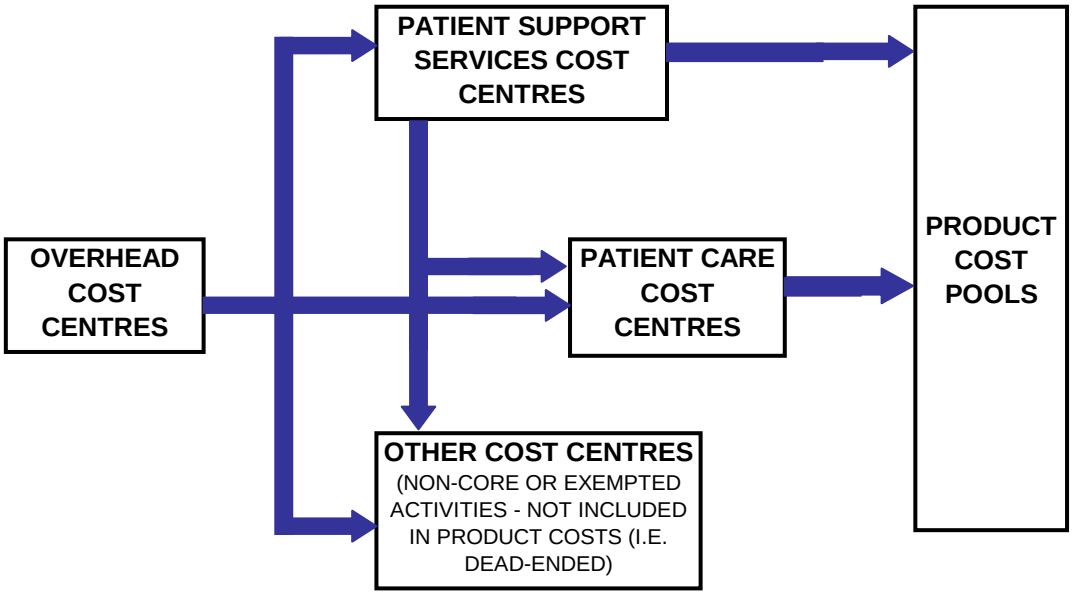
Commentary

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 4

OVERHEAD ALLOCATION METHODOLOGY

Schedule 4 – Overhead Allocation Methodology

4.1 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 DHB costing systems. The Cost Allocation Method should be used in all DHB costing systems.

4.2 Application

Schedule

4.2.1 This Schedule applies to the allocation of all Cost Centre and Cost Group costs for all DHBs. Where a DHB 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.

4.3 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.

4.4 Cost Allocation Method of Cost Centres and Cost Groups

Commentary

4.4.1 For the purposes of consistency and comparability across the DHBs, 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 DHB 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

4.4.8 Common bases used for cost drivers for allocation include:

a) Number of Full Time Equivalents (FTEs) based on usual hours worked by Cost Centre
b) Value of fixed assets in a Cost Centre
c) Value of current assets in a Cost Centre
d) Area occupied in square metres by a Cost Centre
e) Weighted area occupied by a Cost Centre
f) Total Cost of the Cost Centre
g) Employee Cost in a Cost Centre
h) Supply Cost in a Cost Centre
i) Revenue of the Cost Centre
j) Bed Days by Cost Centre (Should this be resourced or used?)
k) Telephone extensions by Cost Centre
l) 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
GovernanceBoard Costs	Funder Revenue to Provider v. NGOsRevenue	60% Provider / 40% FunderTotal Costs	Funder and Provider (All Cost Centres)Areas report to Board (Providers & Planning)
CEO	Funder Revenue to Provider v. NGOsFTE	60% Provider / 40% FunderTotal 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

Function	Allocation Cost Driver		Receiving Cost Centres
	Preferred	Alternate(s)	
Insurance – Assets	Asset Value	Total Costs	All Cost Centres
Internal Audit	Total Costs	FTE	All Cost Centres
Land and Building related costs (facilities)	Sq 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 Centre 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

DHBs 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 Provider Arm. 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 DHBs apply a consistent approach to the allocation of G&A costs across health services.

Principle

> "The DHB 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.."*Pg 6 Common Costing Standards v11 (July 2010)*

If 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 DHBs it was discovered that there is no consistency to the costs and revenue that are recorded in the G&A arm of a DHB. Each DHB does something different. For instance some have CEO costs and direct reports in G&A, others have these in the Provider Arm. To apply a fixed methodology for the allocation of G&A is not possible. To ensure accurate costing data that is comparable between DHBs, 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
DHB 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 DHBNZ, Health Round Table etc	Provider arm cost – allocate based on total expenditure.
"DHB 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 5

COST
EXCLUSIONS/INCLUSIONS

Schedule 5 - Cost Exclusions / Inclusions

5.1 Introduction

Commentary

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

5.2 Application

Schedule

5.2.1 This Schedule applies to all DHBs.

5.3 Statement of Purpose

Commentary

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

(a) The assessment of performance of the DHB and
(b) the making of decisions about benchmarking amongst DHBs.

5.4 Commercial Ventures

Commentary

5.4.1 DHBs 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 DHBs have two choices in applying this Schedule to their costing of commercial ventures:

a) Dead-end the expenditures.
b) Create commercial products that attract all of 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).

5.5 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 DHB 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 DHBs 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.

5.6 Reconciliation to the General Ledger

Standard

5.6.1 The following shall be disclosed separately:

a) A full reconciliation between the General Ledger and the sum of product costs within the costing system.
b) Costs in the Statement of Financial Performance that are not included for costing i.e. dead-ended costs.
c) Any costs netted-off against revenue (Schedule 6 (CS6)).
d) 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 6

TREATMENT OF REVENUE

Schedule 6 - Treatment of Revenue

6.1 Statement of Purpose

Commentary

6.1.1 This Schedule deals with the treatment of Revenue by individual DHBs 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 is to be interpreted by the costing systems of each DHB.

6.2 Application

Schedule

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

6.3 Definitions

Schedule

6.3.1 In relation to an entity, revenue refers to income or cost recovery from any source and includes account codes 1000 to 1999 in the Common Chart of Accounts. It does not refer to the internal charging undertaken when a Cost Centre charges its costs to another Cost Centre within the DHB (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.

6.3.3 Provider Arm revenue is also recorded in account codes 6000 to 6900 which records the revenue transferred from the DHB Funder to the DHB 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 DHB 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 DHBs may do internal charging of a service to other services for the purposes of accountability for resource utilisation within Cost Centres.

6.4 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:

a) 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 DHB 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 DHB of providing the purchased service.

b) 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. This includes any revenue that reduces or is reimbursement for the input costs of these intermediate products eg non Mental Health workforce development funding. Other examples of input cost recoveries are salvage sales, salary and wages recoveries and staff cafeteria sales.

c) 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 DHB clinicians during an event that is funded at that ordering DHB and are provided by a differentDHB.

d) 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 non material commercial service provision is cost neutral. Examples of revenue in this category include rental of surplus properties and laundry sales to outside companies.

e) 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.

f) If a DHB treats CTA funding as revenue then for comparability with DHBs 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

6.5.1 It is necessary to determine how revenue information will be used for reporting purposes before making a decision whether to net-off revenue against costs (Schedule 8 (CS8)).

6.5.2 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.

6.5.3 Some revenue items may need to be treated differently than 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 derivates for SOGS	Cost Recovery	Gains are cost recovery and losses are 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 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 expense	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 a 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 DHB 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 DHB is running courses for the benefit of other organizations, then the revenue received should be used to offset the DHB's costs.
1835	Professional and consultancy fee	Cost Recovery	
1844	Research grant	Cost Recovery	
1845	Drug trial revenue	Cost Recovery	
1864	Other income	Cost Recovery	
1865	Cafeteria and food sales	Cost Recovery	
1866	Work rehabilitation sales	Revenue	
1868	Gains on derivates for financial expense	Cost Recovery	Same principle as applied to a/c 1802
1869	Gains on derivates 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 7

INTERMEDIATE PRODUCTS

Schedule 7 - Intermediate Products

7.1 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:

a) Cost Pools to which costs of fully utilised resources will be allocated.
b) Levels of detail for products that will make up those pools.
c) 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 DHB 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.

7.2 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.

7.3 Statement of Purpose

Commentary

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

7.4 Standardisations of Cost Pools

Commentary

7.4.1 Greater standardisation of Cost Pools allows for the comparison of DHBs 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 DHB. The level to which products are specified within a Cost Pool determines the level of detail at which providers can benchmark.

7.5 Cost Pools and Products Methodology

Commentary

7.5.1 For DHBs 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 DHBs with patient event level costing systems, costs will be able to 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.

7.6 Disclosure of Product Volumes Included/Excluded from DHB Costing Systems – Reconciliations and Audit

Schedule

7.6.1 The following shall be disclosed separately:

a) A reconciliation of the volumes of each product back to DHB costing or information systems used to collect volumes of products
b) 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.

7.7 Intermediate Product Definitions

Schedule

7.7.1 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,

7.7.2 Wards (A010)

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

Hierarchy of Products	
Level 1	Bed day per ward Day Case Per NMDS definition (beds occupied at midnight)
Level 2	Ward Days by Specialty: Surgery Medicine Paediatrics Maternity Rehab Acute Assessment Mental Health
Level 3	Ward Days or Ward 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 Nurses Registered Nurses Enrolled Nurse Clerical	Nursing pool Staff related Costs Nurse Aid Other dedicated clinical staff
Other	Laundry Sterile supply Stores Cleaning Infection control Imprest drugs	Med Records Admissions Utilities Allocated overheads Depreciation
Costs specifically excluded		
	Individual prescribed drugs Pharmacy Laboratory Radiology	Allied Health Staff Blood Medical Staff

7.7.3 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 inpatients Doctor Daycase Theatre – Cutting Time Procedure – EG: Radiology stent insertion, forceps delivery Outpatient 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	SMO Registrar House Surgeon CME costs Clerical	Other employment related costs MOSS 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. Nurse Practitioner
Other	Expenses related to medical staff Allocated overheads	
Costs specifically excluded		
	Individually prescribed drugs Pharmacy Laboratory Radiology Medical staff in clinical support roles (laboratory, radiology, pharmacy) Anaesthetists	

7.7.3.1 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 specialist Theatre time Procedure – EG: pain clinic Outpatient 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 SMO Anaesthetist Registrar Associated CME costs Clerical	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 drugs Anaesthetic technicians Dedicated Critical Care Staff	

7.7.4 Laboratory (A040)

Costs including all staff types of maintaining laboratory services.

Hierarchy of Products	
Level 1	Laboratories Mortuary
Level 2	Bacteriology Serology Biochemistry Skin Graft cultures Toxicology Blood Processing Virology Chemistry Cytogenetics Cytology Endocrinology Lab Haematology Histology Immunohaematology Microbiology Mortuary
Level 3	As level 2 at reported test level

Costs Included		
Staff Costs	Laboratory SMO's Laboratory RMO's Technicians Technologists Staff related Costs	Registered Nurses Enrolled Nurse Clerical Attendants
Other	Laundry Contracted Services Sterile supply Med Records Stores Utilities Cleaning	Equipment R&M Infection control Depreciation Chemicals and supplies Allocated overheads Mortuary storage Post-mortem procedures
Costs specifically excluded		
	Individually prescribed drugs	

7.7.5 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 Service Blood Processing and matching
Level 2	Individual Blood products

Costs Included		
Staff Costs	Technicians Technologists	Clerical
Other	Contracted Services Stores Utilities	Equipment R&M Infection control Allocated overheads Blood and blood products
Costs specifically excluded		
	Individually prescribed drugs	

7.7.6 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 Xrays CT Scans MRI Nuclear medicine Special procedures or interventions performed by Radiology staff Ultrasonography Mammography
Level 3	Cost per Relative Value Unit (RVU) per procedure or intervention in level 2

Costs Included		
Staff Costs	Radiology SMO's Radiology RMO's Technicians Technologists Staff related Costs	Registered Nurses Enrolled Nurse Clerical Attendants
Other	Laundry Contracted Services Films and supplies Sterile supply Med Records Stores Utilities	Equipment R&M Infection control Imprest drugs Depreciation Chemicals and supplies Allocated overheads Cleaning
Costs specifically excluded		
	Individually prescribed drugs Pharmacy Laboratory	

7.7.7 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: Audiology Clinical Physiology Dietetics Maori Health Workers Occupational Therapy Optometrist Orthoptist Orthotics	Other Clinical Support Play Therapy Podiatry Physiotherapy Psychologist Respiratory Medicine – Sleep Apnoea Social Work Specialist Nurses Speech Language Therapy
Level 3	As for level 2 split by Activity Type which may include: First Assessment/contact Follow Up contact 1: 1 Therapist contact Group contacts (EG: One staff to multiple clients) Multiple Therapist contacts (EG: Two staff to single client at one time) Phone contacts	 Enteral products Hearing tests Hydrotherapy sessions Home visits Physiology tests – Holter Mon Treadmill Stomal supplies Splints Inpatient contact Outpatient contact Sleep Apnoea assessment
Level 4	Time based within above	

Costs Included		
Staff Costs	Psychologists Social workers Clerical Speech Therapists Occupational Therapists Audiologist Physiotherapists Nurse Educators Maori Health Workers	Orthotists Other employment related costs Other Allied Health Professionals Neuro Development Therapists Specialist Nurses Clerical support

Costs specifically excluded		
	Individually prescribed drugs Pharmacy Laboratory Radiology Medical Staff	

7.7.8 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.

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 Nurses Registered Nurses Enrolled Nurse Nursing pool Staff related Costs	Theatre Orderlies Anaesthetic technicians Clerical
Other	Laundry Anaesthetics Sterile supply Med Records Stores Utilities Imprest drugs	Equipment R&M Infection control Depreciation Chemicals and supplies Allocated overheads Cleaning
Costs specifically excluded		
	Medical Pharmacy Laboratory	Individually prescribed drugs Implants high cost disposables Anaesthetists

7.7.8a Implants and single use expensive items (A120)

Costs of implants and high cost disposable items used in theatre and procedure rooms.
Implants include all costs in code range 4500 to 4599 of the Common Chart of accounts.

Hierarchy of Products	
Level 1	Implants cost by DRG or Health Specialty
Level 2	Implants/disposable supplies tracked to individual patients. Lower cost implants allocated by DRG or Specialty
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	

7.7.9 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.

Hierarchy of Products	
Level 1	Prescribed drug and dosage

Costs Included		
Staff Costs	Pharmacists Technicians Technologists	Attendants Clerical Staff related Costs
Other	Drugs Pharmaceuticals Stores Cleaning Infection control Chemicals and supplies	Laundry Med Records Utilities Equipment R&M Depreciation Allocated overheads
Costs specifically excluded		
	Radiology Laboratory	

7.7.9a Pharmaceutical Cancer Treatment (A150)

Costs of maintaining pharmacy services for individually prescribed pharmaceutical cancer treatment drugs as specified in the Pharmac schedule. 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.

Hierarchy of Products	
Level 1	PCT by Purchase Unit
Level 2	PCT supplies tracked to individual patients.

Costs Included		
Dispensing Costs	Pharmacists Technicians Technologists	Attendants Clerical Staff related Costs
Other	PCT Drug costs Allocated overheads	PCT cost recovery is specified in a separate cost group within this cost pool.
Costs specifically excluded		
	Laboratory Radiology	

7.7.10 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.

Hierarchy of Products	
Level 1	Critical Care Day
Level 2	ICU / ITU Day CCU Day SCBU Day NICU Day Other 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 Nurses Registered Nurses Enrolled Nurse Clerical Nursing pool	Staff related Costs *Dedicated staff only for:* SMO Registrar House Surgeon
Other	Sterile supply Stores Cleaning Infection control Imprest drugs	Laundry Med Records Utilities Depreciation Allocated overheads
Costs specifically excluded		
	Individual prescribed drugs Pharmacy Laboratory	Radiology Other Medical Staff Allied Health Staff

7.7.11 DHB 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 DHB 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 Nurses Registered Nurses Enrolled Nurse Clerical Nursing pool Staff related Costs	Plaster room *DHB ED only:* SMO Registrar House Surgeon
Other	Sterile supply Stores Cleaning Infection control Imprest drugs	Laundry Med Records Utilities Depreciation Allocated overheads
Costs specifically excluded		
	Individual prescribed drugs Pharmacy Laboratory	Radiology Medical Staff - not specifically employed in ED Allied Health Staff

7.7.12 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 eg 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 Nurses Registered Nurses Enrolled Nurse	Clerical support Staff related Costs Nurse Aids
Other	Sterile supply Stores Cleaning Infection control Admissions Imprest drugs	Laundry Med Records Utilities Depreciation Allocated overheads
Costs specifically excluded		
	Individual prescribed Drugs Pharmacy Laboratory	Radiology Medical Staff Allied Health Staff

7.7.13a 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
- Wellchild 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 staff Staff related costs	
Other	Sterile supply Stores Cleaning Infection control Admissions Promotional materials Transport Administration Telecommunications Supplies	Laundry Med Records Utilities Depreciation Allocated overheads Infection Control Insurance & Overheads Legal Rent
Costs Excluded		

7.7.13b 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 Time Supplies Used

Costs Included		
Staff Costs	Dental Therapists Chairside assistants Clerical Other Staff costs	
Other	Equipment Transport Laundry Depreciation	Stores Records Imprest drugs and medical supplies Allocated Overheads
Costs specifically excluded		
	Drugs – Individually prescribed	

7.7.13c 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 staff Domiciliary visit by care assistant Domiciliary visit by Home Help Meals on Wheels Supplies 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 Time Equipment / Supplies Follow up/s Telephone Contact
Level 4	As for Level 3 time based

Costs Included		
Staff Costs	Registered Nurses Enrolled Nurses Care assistants	Home Help Clerical Other staff costs
Other	Transport Allocated Overheads Stores and medical supplies Depreciation Telecommunication	Administration Equipment Laundry Insurance Sterile supply Imprest drugs
Costs specifically excluded		

7.7.13d 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-ordinators Assessors Clerical Staff	Community Health Worker Social Worker Staff Related costs
Other	Transport Telecommunications Cleaning Stationery	Equipment & Supplies Overheads Depreciation
Costs specifically excluded		

7.7.13e 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, playcentres,
- 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 Worker Social workers Public Health Nurses Vision / Hearing Testers Neuro Development Therapist	General Medical Practitioner Clerical Management Other Staff Related costs
Other	Transport Telecommunications Equipment Laundry Cleaning	Sterile supply Allocated overheads Depreciation Medical Records
Costs specifically excluded		

7.7.14 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 1 Bed day - Level 2 Bed day - Level 3 Bed day - Level 4

Costs Included		
Staff Costs	Charge Nurses Registered Nurses Enrolled Nurse	Clerical Staff related Costs
Other	Laundry Med Records Sterile supply Admissions Stores Utilities Transport	Cleaning Allocated overheads Infection control Depreciation Medical Costs Imprest drugs Communications
Costs specifically excluded		
	Individual prescribed Drugs Allied Health Staff	Laboratory Radiology

7.7.14a 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	Psychiatrists Charge Nurses Registered Nurses Enrolled Nurse Occupational Therapists Social workers	Psychologists Other community mental Health workers Clerical Staff related Costs
Other	Laundry Med Records Sterile supply Admissions Stores Utilities Transport	Cleaning Allocated overheads Infection control Depreciation Medical Costs Imprest drugs Telecommunications
Costs specifically excluded		
	Individual prescribed Drugs	Laboratory Radiology

7.7.15a Obstetrics - Delivery Suite (F010)

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

Hierarchy of Products	
Level 1	Delivery Women giving Birth
Level 2	Normal delivery Other complex delivery Undelivered (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 Nurses Nurse Aid Registered Nurses Facility cover only	Enrolled Nurse Clerical Nursing pool Staff related Costs
Other	Laundry Med Records Sterile supply Admissions Stores Utilities	Cleaning Allocated overheads Infection control Depreciation Anaesthetic drugs Imprest drugs
Costs specifically excluded		
	Individual prescribed drugs Lead Maternity Carers Laboratory Radiology	Medical Staff Allied Health Staff Blood

7.7.15b 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 only Obstetricians LMC Only Staff related Costs	
Other	Med Records	Allocated overheads
Costs specifically excluded		
	Drugs Medical Staff Pharmacy Maternity facility costs	Laboratory Radiology Allied Health Staff Blood

7.7.16 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 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 Nurses Registered Nurses Enrolled Nurse Technicians Technologists	Clerical Staff related Costs Subcontracted/outsourced SMO cost when not differentiated as separate labour cost
Other	Laundry Med Records Sterile supply Admissions Stores and supply costs Utilities Patient transport & accommodation costs or subsidies	Cleaning Allocated overheads Infection control Depreciation Imprest drugs Outsourced treatment costs Loan pool equipment R&M – including sleep apnoea equipment costs

Costs specifically excluded		
	Individual prescribed Drugs Pharmacy Laboratory	Radiology Medical Staff Allied Health Staff

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.

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	Technicians Clerical	Staff related costs Other dedicated sterile supply staff
Other	Supplies Cleaning Utilities Laundry	Depreciation Allocated Overheads Chemicals
Costs specifically excluded		
	Sales to external parties unless revenue recognised as a cost offset.	

7.7.17b Other Patient Support Costs (A145)

The cost of providing other patients 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	Other staff related costs
Other	Supplies Cleaning Utilities Laundry	Depreciation Allocated Overheads Chemicals
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	NPP Report Desc
7.7.2	Wards	A010	Wards
7.7.3	Medical	A030	Med/Surg
7.7.3.1	Anaesthetists	A036	Anaesthetists
7.7.4	Laboratory	A040	Lab
7.7.5	Blood Bank	A050	Blood
7.7.6	Radiology	A060	Radiology
7.7.7	Clinical Support Staff	A070	Other
7.7.8	Theatre / Procedure Rooms	A080	Theatre
7.7.8a	Implants and Single Use Expensive Items	A120	Implants
7.7.9	Pharmacy	A090	Pharm
7.7.9a	Pharmaceutical Cancer Treatment	A150	Pharm
7.7.10	Critical Care	A100	Critical Care
7.7.11	DHB Emergency Department	A110	Ed
7.7.12	Outpatient Utilisation	A020	Other
7.7.13a	Community – Public Health Protection and Promotion	B010	Other
7.7.13b	Community – School Dental Program	B020	Other
7.7.13c	Community – Community Domiciliary Services	B030	Other
7.7.13d	Community – Needs Assessment and Service Coordination	B040	Other
7.7.13e	Community Child and Youth Health Services – Well Child Services	B050	Other
7.7.14	Residential – Mental Health, Intellectual or Physical Disability	C020	Other
7.7.14a	Mental Health – Community	C010	Other
7.7.15a	Obstetrics – Delivery Suite	F010	Other
7.7.15b	Obstetrics – Lead Maternity Carers	F020	Other
7.7.16	Other Treatments	G010	Other
7.7.17a	Sterile Supplies	A140	Other
7.7.17b	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 DHBs determine which option they should choose.

Guidelines

Sterile supply services are defined in the Common Costing Standards as a Patient Care/Patient Support Department as opposed to an overhead or Non Core Department, Table of Cost Centre Categories, page 18, CCS.

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 eg 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 this circumstance 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 internal recharging account codes", section 1.4 Definitions 1.4.1 e), page 15, CCS.

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

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

"k) Central Sterile Supply costs not directly attributed to patients, and recharged using account code 8005 CSSD Services. Note that there should not be any internal surplus included in the recharged amount.(See CS1 Schedule 6)", section 2.4 Definitions, page 22, CCS.

B) 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;- d) Non Clinical Support Labour.
i) Other Clinical Costs.

Central Sterile Supply Costs - CS7 Category

C) Sterile supply costs can be reported under the CS7 category that contains the patient service they were part of eg Theatres (A080), Wards (A110) and Laboratory (A40). For example if sterile supply costs are included in the theatre cost centre then they can be reported under the theatre CS7 category.

D) Alternatively if they can be tracked and reported against individual patients or allocated to patients using a proxy feeder, eg 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, page 76, CCS.

TREATMENT OF STERILE SUPPLY COSTS DECISION TREE