



# CostPerform – delivering bottom line benefits

## Costing community health and social services

In the Republic of Ireland, Health Service Executives (HSEs) combine many of the services that in the UK are split between Health and Social Services. The HSE Southern Area is responsible for the two counties of Cork and Kerry, an area roughly 150 miles by 100 miles, and spends €850 million per annum. It needed to know if it was spending the money well, and what drove expenditure, by being able to answer such questions as “How will changes in the population put demands on our health services?”, Can we influence future demands on social services through health education and preventive care?”, Are there better, more cost effective ways of providing our full range of services?”.

The Activity Based Costing approach was chosen as an ABC analysis was able to throw more light on why costs exist and how they vary. Instead of starting with how much was spent last year compared to budget, ABC concentrates on *what* the money is being spent on, and *why* it is spent. For example, how much does a Home Help really cost, and how many people will need such help next year? Will an ageing population influence the number of people needing community facilities? What is the trend in drug abuse, and therefore how much do we need to budget to deal with it? Can we influence demand for services through health promotion?

ABC analysed the whole cost of providing treatments and services - not just the direct clinical and service costs, but other support costs such as accommodation, equipment, management, administration and information technology. Armed with the ABC information, future submissions to the Department of Health and Children are now based on proven costs of activities and their cost drivers, which will ensure that adequate and realistic budgets are put in place.

### The HSE Southern Area ABC Model

In total the HSE has 18,000 staff, based in 250 separate buildings and has a spend of €850 million. The Acute hospitals were excluded from the analysis in the initial phase. The scope of the ABC model was Community Hospitals (€40 million) and Services (€260 million) and those Central Services’ costs that were focused on supporting the community (€68 million). Depreciation costs from the Asset Register added another €17 million into the model. Overall, the ABC model included 470 Cost Centres and a total of 10,288 Ledger Lines!

The costs were assigned from the ledger (the resources) to activities and then onwards to nearly 50 different services.

Adoption Services	Nursing Homes
Aftercare Services	Occupational Therapy Services
Assisted Living Services	Ophthalmic Services
Aural Services	Palliative Care Services
Cardiovascular Strategy	Pharmacy Services
Child Abuse Unit	Physical & Sensory Disabilities
Child Care	Physiotherapy Services
Children’s Residential Homes	Pre-School Services
Chiropody Services	Psychology Services
Community Hospitals	Public Analyst Laboratory
Day Centres	Public Health Nursing
Dental Services	Refugee Services
Dietetic Services	Residential Homes Inspect
Environmental Health Services	STD/Aids Clinics
Family Support Services	Screening - Asylum Seekers
Family Therapy Services	Social & Health Education
Food Microbiology Laboratory	Social Work Services
Fostering Resource Unit	Special Housing Aid
Health Promotion Dept	Speech & Language Therapy
Home Helps	Substance & Alcohol Abuse Services
Homeless Adults	Surveillance
Immunisations	Travellers’ Services
Infectious Disease	Voluntary Bodies
Medical Card Assessment	Young People Special Care Units
Mercury Childcare Transfer	

## Looking at the detail

Taking the first service listed on page 1, Adoption Services, the ABC model determined the costs of the constituent activities. Knowing the cost drivers for each activity and the cost driver volume allowed the unit costs to be determined. These are shown in the table shown right:

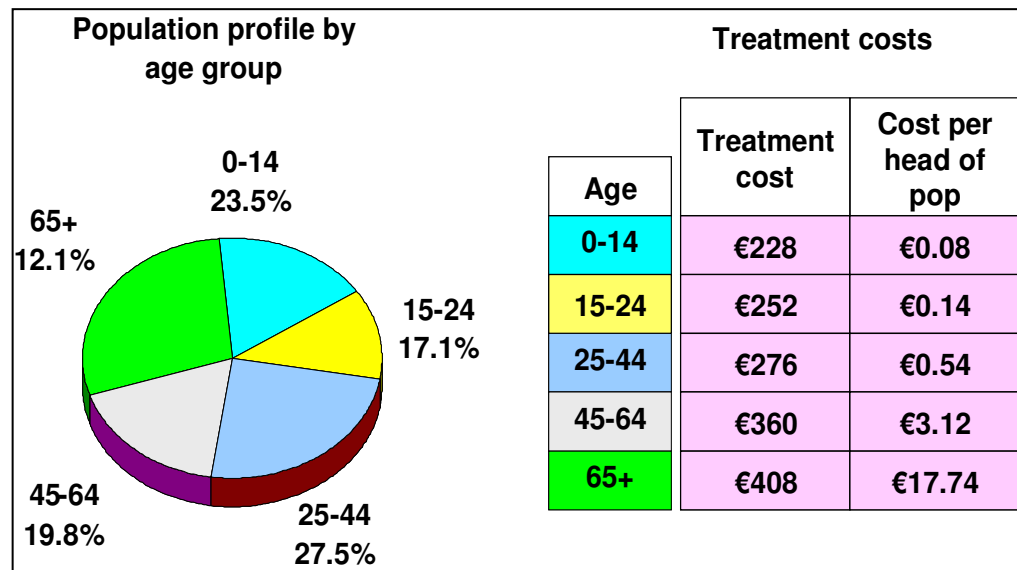
Service	Activities	Activity cost €s	Cost driver	Volume	Unit cost
Adoption Services	Inter country adoption assessments	399,581	# IC Assessments	144	2,775
	Post placement visits	33,992	# Visits	47	723
	Search and reunion	67,984	# Searches	45	1,511
	Assessment for domestic adoption	55,000	# Assessments	5	11,000
	Placement for domestic adoption	94,493	# Mothers seen	37	2,554
	Total service cost	651,050			

Tunneling into the data threw up useful comparisons that raised many questions. For example, why does home help cost a third more in one area than another? (see table right)

Care of older person	# Patients	Total cost	Unit cost
Home Helps (Kerry)	2097	5,516,496	2,631
Home Helps (North Lee)	1761	3,458,230	1,964

The ABC model determined the costs of various treatments. The patients received the treatments so that the total cost of supplying health services to patients was determined. The patients also had differing attributes, the key one being age. Now costs could be shown by age group and per head of population within each age group.

The costs and age profiles are shown in the diagram right.



From other sources, changes in the demographic profiles over time and by region could now be linked to health costs. The overall demographic profile could now be used to give an accurate forecast of the demands on the health system.

Other major benefits were the enhancement of budgeting and control, the ability to analyse and understand costs and where appropriate to seek reductions. It also provided the capacity to develop performance management modelling thereby generating meaningful management information, which allowed better decisions to be made on service delivery at local level.

The costing of Community Services is notoriously difficult; as activity and cost data is not as sophisticated or as readily available as in the acute sector. But with the ABC project the Health Service Executive met a number of key objectives:

- It achieved transparency of costs
- It better understood value for money
- It linked demographic changes to resources
- It linked Government policy to resources
- It could better plan services provision

