Costs of acute admitted patients in Australia's public hospitals in 2011-12

Authors: Daniel O'Halloran

Introduction
The National Health Performance Authority released a report on April 30 assessing the relative efficiency of Australia's largest public hospitals. Hospitals included in the report represented over $16 billion of the $42.1 billion spent on public hospitals for 2011-12. The size of the sector means that efforts to improve efficiency, if well targeted, have a potential to yield significant benefits.

Methods
Data was sourced from the National Hospital Cost Data Collection (NHCDC), 2011-12. This data collection represents approximately 80% of Australia's public hospital costs. The analysis used comparable costs to compare hospitals against their peers. The inclusion and exclusion criteria for comparable costs were informed by the findings of the Independent Financial Reviews of the NHCDC.

The report focuses on the costs of acute admitted patients, those patients that account for the largest portion of hospital costs. Two measures to assess relative efficiency are presented, Cost per National Weighted Activity Unit (NWAU)[1] and Comparable Cost of Care. Comparable Cost of Care includes ED costs of acute admitted patients, as variation exists in the time patients stay in ED, a factor that influences whether the cost of care is recorded as part of the ED presentation or as part of the patient's admission.

Relative efficiency is assessed by comparing costs against a unit of activity, accounting for the complexity of patients and individual patient characteristics that can lead to legitimate higher costs.


Results
The Performance Authority has demonstrated that results for individual hospitals are broadly the same using both measures, providing confidence in the findings, and the relativities in hospital efficiency. The Authority found two-fold variation in the average cost per unit of activity across Australia's largest public hospitals.

The report provides contextual information on the average cost of 16 common conditions and procedures, and the extent to which a relationship exists between the cost of an admission and length of stay. This information can assist healthcare professionals to understand how their decisions contribute to a hospital's relative efficiency.

Conclusions
The report comes at a critical time of national discussions around the cost and funding of public hospitals. It provides valuable insight into the variation of the relative efficiency of Australia's largest public hospitals; and for the first time publicly demonstrates that at a point in time, 2011-12, there was two fold variation in the average cost of delivering similar services to similar patients in similar public hospitals. This information and methods provide a platform for future work in understanding the cost of delivering care to patients; and the drivers of such variation.

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1. National Health Performance Authority, Sydney, NSW, Australia.