"Mind The Gap' - Assisting hospitals challenged by the introduction of Activity Based Funding

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Introduction
Activity Based Funding (ABF) has been introduced in Ireland. 2015 has served as a conversion year where differences between the reported costs for treating coded patients and the payment tariffs that these patients would attract have been reported to hospitals without any actual financial impact. Hospitals with large negative differences will need to take corrective action in advance of any actual budgetary adjustments in order to maintain funding into the future.

Methods
The HPO conducted a forensic analysis of and visited a hospital with a large negative deficit to audit and investigate areas of concern. Presentations were made to senior management, both administrative and clinical, to create awareness of ABF and to highlight the importance of good clinical coding and costing and their future impact on hospital finances.

Clinical coding:
An analysis of the prevalence of higher complexity A-level Diagnosis Related Groups (DRGs) within each ADRG (Adjacent DRG) was done for all hospitals within ABF as these DRGs attract higher payment tariffs to reflect the higher costs incurred in treating these patients. Graphs for each hospital were produced that detailed the % of A-level DRGs for the top 20 most valuable ADRG in each hospital and compared hospital performance against the average across all ABF hospitals.

Costing:
An off site forensic analysis of costs over a 3 year period from 2011 - 2013 was carried out. Financial costs had risen considerably over this period and as the hospital is a hub hospital within a larger group there were concerns this it was bearing an unduly high proportion of these increased costs. There was an in-depth analysis of any other financial factors likely to contribute to negative ABF performance.

Results
Clinical coding:
The ADRG graph showed that the hospital had a lower % of cases in higher complexity A-level DRGs and that this was consistent in all of the top 20 ADRGs and beyond. This was prepared in advance of the site visit and was a major part of the presentation to hospital management. The B70 ADRG relating to Strokes was selected and used as an example to show the impact of clinical coding on financial performance and show how important it is to have a fully staffed clinical coding department that can fully code patient complexity within the coding deadlines.

Shared costs:
The hospital appeared to be carrying a disproportionately high share of these costs. This was particularly the case for medical pay costs where salaries for consultant time spent off site were not being identified and deducted from costs.

Manual processes:
Costing within the hospital was very reliant on manual processes and in some cases staff were required to transpose manual ledgers into Excel formats. Patient Level Costing (PLC) data would be invaluable in this hospital, enabling it to focus on groups of patients where the differences between cost and value are most extreme. However the hospital has not been able to participate in previous PLC studies due to inadequate IT systems and a lack of resources. The HPO was able to highlight these issues and meet with IT to detail
the requirements and the importance of future participation in PLC activities.

Agency pay:
There was a high level of agency pay for vacant posts. This was highlighted to management.

Conclusions
The conversion year has been an essential building block in the ABF process to identify potential funding gaps and to create awareness across the acute hospital system of the impact of ABF. Some hospitals have large deficits between the cost and the value of their activity and are lacking the resources and knowledge to identify the causes. These hospitals initially require a degree of outside assistance to identify these causes and why they exist and to educate senior management of both the current position and the inevitable future impact of any shortcomings in clinical coding and accurate costing. The HPO fulfilled this role and produced a detailed report to provide a foundation for changing the hospital's ABF performance.