

# **6 THINGS YOU REALLY SHOULD BE DOING TO MAKE COSTING A VITAL STRATEGIC FUNCTION IN YOUR TRUST**

As the NHS gears up to close a possible £30 billion gap in its funding, costing of services should become a vital part of any Trust's planning process. It doesn't always happen though. Senior executives don't always realise how powerful costing can be when it's done properly. We've worked with more than 100 NHS finance departments over the last 9 years and here's our quick checklist of the top 6 proven methodologies to ensure your costing becomes a vital strategic function in your Trust.

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## **It's a balancing act**

NHS costing has come on in leaps and bounds since reference costs were introduced in the 1990s, but it's still a work in progress. What's most important is that you balance efficiency against accuracy. This should ideally start with a mapping exercise where you take general ledger expenses and map them into cost pools. Then get going. Make sure you produce your Service Line Reports every month so that end users come to expect them. This is how you begin to get clinical engagement.

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## **Ask the person who really knows the answer**

You've got to make clinical and operational engagement a key part of your Service Line process. There are 2 benefits to this: firstly it helps to get doctors and managers buy-in and acceptance of Service Line Reporting as a process. But it also improves your costing methodology, because they're the people who really know how costs should be apportioned. Just remember this is an on-going process, not a one off event!

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## **God is in the detail**

Once you've started service line reporting you're going to be doing it month in, month out, so make sure that you build in as much automation as possible, especially in your data feeds. You'll also need to have reconciliation checks in place. It's a good idea to have a review within the finance department, before sharing with the wider organisation. Make this an intuitive walk through of the results - start at a high level and then dig into the variances. This process will often uncover new approaches to your costing methodology.

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#### **Show me the money!**

Service Line Reporting is not a one off event - you need to be giving a timely and consistent view of performance month after month. This may mean being less reactive to ad hoc requests, but more proactive in producing rich, comprehensive data showing trends in activity, costs and profitability across Service Lines. Your analysis should isolate the variables that cause changes in Service Line positions.

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#### **Make'em accountable**

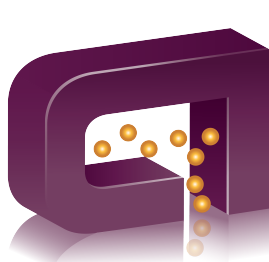
The best costing methodology and the most stunning reports in the world will still fail if no one actually owns the results. Accountability is best established at Service Line level. It creates a feeling of ownership within the Service Line and also provides high enough support to implement any changes that are needed.

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#### **Close the loop**

Over the last ten years the internet has produced many useful and free websites to help you increase your productivity.

One of the most useful ones for turbo charging your Service Line Reporting is SurveyMonkey.com. This website gives you the ability to get feedback from the doctors and managers using your Service Line Reports, but in a structured way. It also means that you start to generate stats that you can later use to demonstrate exactly how much of a difference you're making.



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