

# **This Guide**

In keeping with the previous version of the Ontario Guide to Case Costing, this manual is intended to serve as a primary resource for learning about and implementing case costing. It presents the methodology used to produce case costs and many of the important details that should be considered to get case costing started. As the Guide is reviewed, there are additional materials, such as the MIS Standards, that can be used as a reference to compliment the Guide. A list of these reference materials is found in Appendix A.

Case costing relies on financial, clinical and statistical data. Prior to costing, there must be a review of departmental information and data collection and reporting systems. This manual is a practical reference and guidance to:

- Evaluate current systems capability
- Develop an action plan
- Implement the systems and procedure changes needed for case costing

This Guide has been revised from earlier versions. The principal changes in this version occur in the following areas:

- Presentation of the conceptual basis of the case costing methodology
- A more thorough presentation of the costing standards
- An example of the case cost calculation
- The standards for chronic care mental health and ambulatory care costing
- The standards for Patient Hours as the alternative approach to nursing cost allocation
- The case costing methodology applied to program management
- A chapter dedicated to answering frequently asked questions

It is expected that modifications to the case costing standards will continue to be made as hospitals change their approach to service delivery. The case costing standards must adapt to hospital innovations so that case cost data remains relevant and useful for management decision-making at all levels.

The Guide reflects the knowledge and experience of the Ontario Case Cost Initiative hospital participants. A history of the Project and a profile of OCCI hospitals are found in Appendices B and C. With the contribution of the OCCI hospitals to the Guide, it will fulfil its purpose: to provide readers with a good understanding of case costing, and the issues and details of implementing case costing in the hospital.

## **How this Manual is Organized**

The material in this manual is presented in logical progression. Chapter 1 outlines the potential uses of case costing data at the hospital level. Chapter 2 provides an overview of the case costing methodology. Chapters 3 to 6 describe in detail the four steps of the OCCI case costing methodology: gathering and organizing data, allocating indirect costs, calculating functional centre unit costs/intermediate product costs, and distributing costs to patients. Each chapter focuses on one step of the process. The general OCCI standards for case costing are also detailed in these four chapters. A numerical example illustrating the case costing methodology is presented in Appendix 1.

Chapter 8 describes the process of bringing together statistical, financial and patient descriptive data. The end product is case cost data that is useful for all types and levels of hospital decision-making. There are also many questions that could be answered through episode costing, which involves linking related patient visits, and a more detailed breakdown of total cost data (e.g., by fixed and variable detail, by day of stay, etc.). Chapter 8 also describes some of these extensions to the basic case costing project.

The initial focus of the Ontario Case Cost Initiative was to develop case costs for acute inpatients. Case costing was later extended to include day surgery, and more recently, ambulatory care and chronic care patients. Chapter 9 focuses on the costing requirements for ambulatory care and chronic care.

The case costing methodology is consistent with the traditional departmental approach of organizing and managing patient care services. During recent years, some hospitals have adopted a program management model of health care delivery. Chapter 10 describes the application of the case costing methodology to hospitals organized by program.

A general approach to implementing case costing is discussed in Chapter 11. Several tips are discussed in Chapter 12 to help evaluate the newly implemented case costing.

Finally, Chapter 13 presents Project Managers' frequently asked questions in a question and answer format. These questions relate to the implementation of the case costing methodology.