

## **Title: Australia's National Hospital Cost Data Collection (NHCDC) – 25 years in the making**

### **Introduction**

The Independent Health and Aged Care Pricing Authority (IHACPA) undertakes the National Hospital Cost Data Collection (NHCDC) annually to collect public hospital costing data from states and territories. IHACPA progresses the NHCDC through data validation, quality assurance checks, and public reporting to allow benchmarking and to ensure the data is robust and fit for the purpose for developing the national efficient price.

### **Background**

The NHCDC commenced in 1997 (Round 1) as a voluntary data collection resulting from collaboration between Commonwealth and state and territory governments. The purpose of the collection was to provide data for the Australian Refined Diagnosis Related Groups (AR-DRG) classification development and to allow for the comparison of public hospital costs across the country. Participation was supported by funding from the Commonwealth provided to each state and territory. Over time, cost data has evolved from being cost-modelled, which determined the average cost of each AR-DRG at a hospital, to patient-level costing. This patient-level approach uses data regarding individual patients' consumption of resources to determine a cost for each episode of care. The collection has expanded from being focused on admitted acute activity to capturing cost information for a full range of hospital products.

In 2025, IHACPA is collecting data from the financial year 2023-24, marking the 28th year of collection. The NHCDC aims to accurately record the cost and mix of resources used to deliver patient care. Public hospital data is prepared by hospitals and local hospital networks. Costs are allocated to line items and cost centres, which are then mapped to cost buckets. These cost buckets describe the type or location of the service provided.

### **Improvements/Challenges**

IHACPA undertakes a variety of activities to ensure that NHCDC data is fit for purpose and includes relevant costs and patient activity. Key activities include:

- Developing the Australian Hospital Patient Costing Standards (AHPCS), which provides a framework to guide costing practitioners in allocating all in-scope costs to hospital activities consistently.
- Conducting an Independent Financial Reviews (IFR) which assesses the quality of NHCDC data, ensuring adherence to AHPCS and inclusion of appropriate costs and patient activity.
- Managing tools like the NHCDC Dashboard which enhances the efficiency and timeliness for the delivery of the QA reports, while the Data Portal enables jurisdictions to upload and check their data files efficiently before final submission.

Key issues include the complexity of future focus areas such as mental health, virtual care, and the development and implementation of the AHPCS to ensure consistency and best practices in hospital product costing. The allocation of costs in the NHCDC varies across jurisdictions due to several factors. Each state and territory in Australia has its own healthcare system structures, funding mechanisms, and accounting practices, which contribute to these variations.

### **Discussion**

The NHCDC process, involving data collection, validation, quality assurance, and reporting, plays a vital role in benchmarking and identifying changes in patient activity and costs across the healthcare sector.