

TITLE: A National-Level Patient-Level Costing Model: Overcoming Provider Deficiencies and Driving Healthcare Transformation

Accurate cost measurement is critical for improving efficiency, ensuring sustainability, and setting appropriate pricing structures. However, relying solely on individual provider cost submissions introduces significant deficiencies in an immature costing environment. A national-level patient-level costing (PLC) exercise offers a transformative approach by providing comprehensive, standardized, and granular cost data. This model generates **national average cost**, **national efficient cost**, and **national efficient price**, supporting healthcare transformation.

Addressing Deficiencies in Provider Cost Submissions

Cost submissions from individual providers often suffer from:

1. **Data Inconsistency** – Providers have different data maturity.
2. **Lack of Granularity** – Cost submissions suffer from lack of supporting implant and device data.
3. **Limited Benchmarking** – Without a centralized system, providers struggle to compare costs effectively.

The national PLC model overcomes these challenges by standardizing data structures and removing input unit weight volatility providing a more precise and transparent picture of healthcare expenditure. Validated patient-level feeds are augmented into the model providing further granularity.

Generating National Average Cost (NAC)

The model establishes a reliable NAC for all services and treatments, serving as a key reference point for:

- **Comparative Analysis** – Providers assess their costs relative to national benchmarks.
- **Resource Allocation** – Ability to make evidence-based funding decisions.
- **Identifying Cost Drivers** – A detailed cost breakdown uncovers inefficiencies and opportunities for cost reduction.

The NAC provides a foundation for financial planning, ensuring providers operate within sustainable financial parameters.

Estimating Efficiency Gaps

The NAC generates high-level indicators of efficiency including:

- **Length of Stay by peer group**
- **Casemix-adjusted non-pay consumption**
- **Remoteness-adjusted clinical productivity**

Establishing National Efficient Cost

After identifying efficiency deltas the model calculates the NEC, which reflects the cost of delivering care in the most resource-efficient manner while maintaining quality. This is achieved by:

- **Analyzing High-Performing Providers** – Identifying delivery of high-quality care at lower costs.
- **Standardizing Best Practices** – Encouraging the adoption of cost-effective care models.
- **Reducing Variability** – Aligning cost structures across regions and providers.

By benchmarking against efficient providers, healthcare systems can drive improvements in cost efficiency while maintaining or enhancing care quality.

Determining National Efficient Price (NEP)

The NEP is essential for setting appropriate reimbursement levels, particularly in value-based healthcare models. The model supports price setting by:

- **Ensuring Fair Compensation** – Aligning payments with actual costs to prevent underfunding or overcompensation.
- **Encouraging Cost Control** – Incentivizing providers to adopt efficiency-driven care models.
- **Supporting Payment Reforms** – Enabling the transition to outcome-based reimbursement structures.

By using PLC-derived NEP, the payment system is designed to promote sustainability and high-value care delivery.

Enabling Healthcare Transformation

The national PLC calculation facilitates healthcare transformation by:

1. **Driving Policy and Investment Decisions** –more effective resource allocation based on real utilization data.
2. **Enhancing Transparency and Accountability** – Standardized reporting builds trust among stakeholders.
3. **Improving Healthcare Affordability** –efficiency leads to lower healthcare expenditure.
4. **Supporting Innovation and Best Practices** – Data-driven insights drive process improvements and care innovations.

Ultimately, the national PLC model provides a foundation for a more efficient, fair, and sustainable healthcare system, ensuring that financial decisions support high-quality patient care.