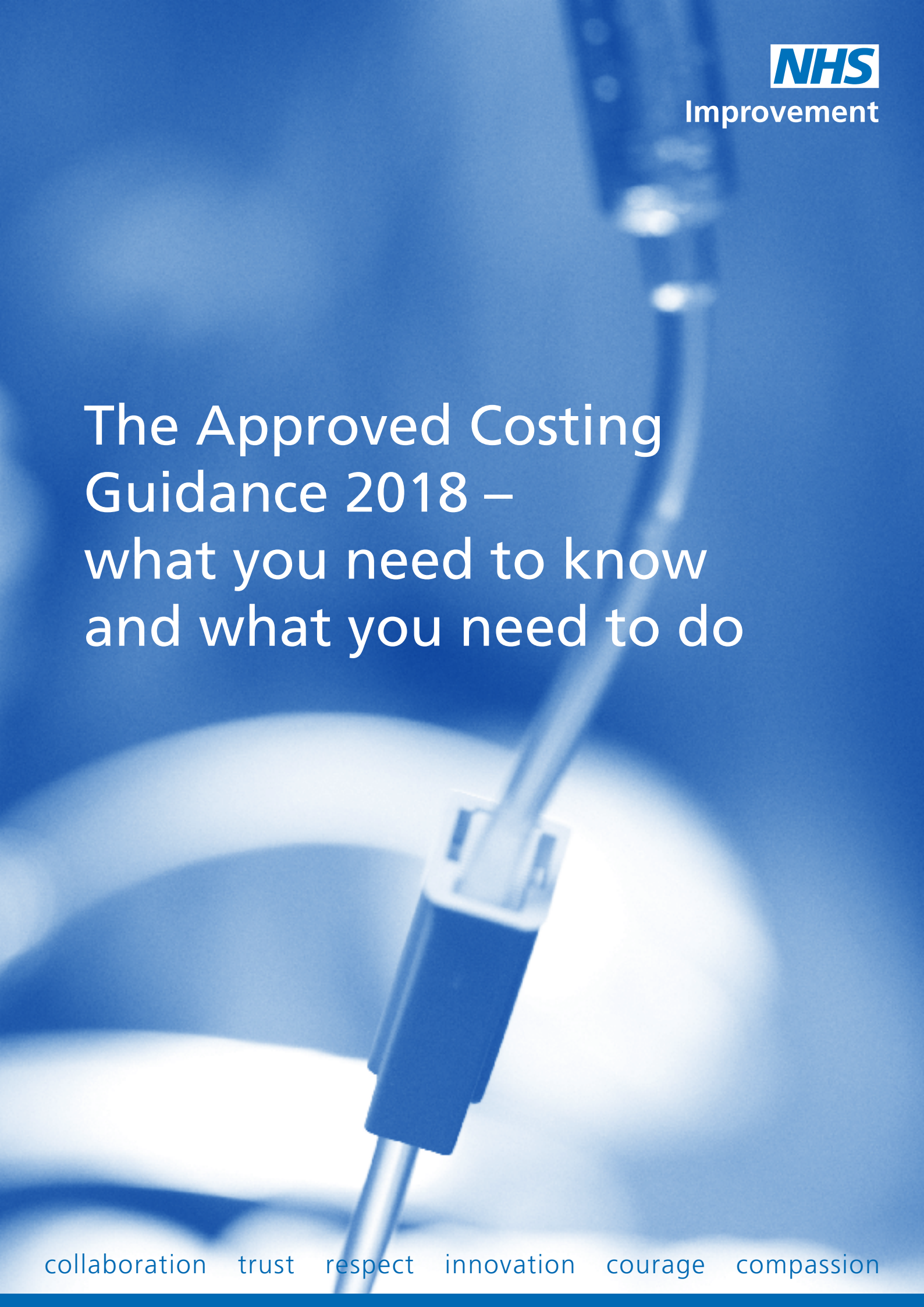
NHS Improvement

The Approved Costing Guidance 2018 – what you need to know and what you need to do



collaboration trust respect innovation courage compassion

We support providers to give patients safe, high quality, compassionate care within local health systems that are financially sustainable.

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What you need to know for 2018

Accurate and comparable costs are fundamental to helping the NHS meet the needs of patients and the population as a whole. Better costing will support improved use of resources and reduction of unwarranted variation, while informing service redesign to meet patients' needs in a sustainable way.

Last year excellent progress was made towards patient-level costing. In total 70 acute, mental health and ambulance providers implemented patient-level costing and submitted data on £21 billion of costs to NHS Improvement. This cost data is now being returned to trusts through a national portal, and we are working with trusts to promote its use to improve services and enhance productivity. We thank all providers, their suppliers and our partners for driving this forward.

The coming year will see another major step forward, with the rollout of patient-level costing to more providers in more care settings, the collection and release of more cost data, and work in partnership with providers to help them deliver value for patients. This document explains how we ask providers to cost and to submit cost data in the year ahead.

The Approved Costing Guidance is published on NHS Improvement's website. It is formed of three pages:

- Approved Costing Guidance – this page introduces the guidance and provides essential information, including the costing principles[1]
- Standards – this page contains all of the *Healthcare costing standards for England* as well as tools and templates to help you implement them[2]
- Collections – this page contains details of the national cost collections as well as tools and templates to help you implement them [3]

[1] https://improvement.nhs.uk/resources/approved-costing-guidance/
[2] https://improvement.nhs.uk/resources/approved-costing-guidance-standards
[3] https://improvement.nhs.uk/resources/approved-costing-guidance-collections

The key things you need to know in this guidance are:

- This is the third and final version of the *Healthcare costing standards for England* – acute. It covers financial years 2017/18 and 2018/19.
  - Following an impact assessment and consultation process, NHS Improvement's board approved the proposal to mandate providers to record the costs of acute activity at a patient level consistent with the *Healthcare costing standards for England* – acute, and to report them using the patient-level costing collection guidance in the Approved Costing Guidance.[4] The first mandatory collection will be in summer 2019.
  - We invite all acute providers voluntarily to implement these standards for 2017/18 costs and submit data later this year, along with reference costs.
  - Acute providers that cannot implement patient-level costs this year should submit reference costs but start preparing to implement patient-level costing in 2018/19 for submission of data in 2019.
  - We have a good understanding of the work involved in implementing the standards, and expect providers to follow the three-year transition path included in the guidance. For 2018/19, acute providers should aim to implement fully those standards noted in year 1 of the transition path in 2018/19.
- This is the second version of the *Healthcare costing standards for England* – ambulance. All ambulance providers are invited to implement them and voluntarily submit a cost collection in 2018, alongside reference costs.
- A second version of the *Healthcare costing standards for England* – mental health will be published in March 2018. These providers are also invited to implement them and voluntarily submit a cost collection in 2018, with reference costs.
- A first version of the *Healthcare costing standards for England* – community will also be published in March 2018. These standards are for implementation and PLICS collection by a small number of pilot sites. This will mean that for the first time there will be costing standards for all provider types.

[4] See Appendix 1 for more information on the Approved Costing Guidance.

- We will support and simplify implementation where we can: we are launching sector-specific digital platforms to help early implementers, and developing tools to automate mapping of resources as far as possible.
- In future, we will reduce the burden of cost collections. We have integrated the reference costs and patient-level costs collection guidance for acute providers in 2018, aligning the collections' outputs so we can decide whether to move to a single collection for acute providers in 2019. We will follow this approach with other types of providers in future years.
- We have listened to concerns about the collection timetable for this aligned collection, and in response have extended the collection window.
- To reduce the burden in the short term, the integrated reference costs return (net of education and training (E&T) costs) will not be required in 2018. Costing E&T remains important for all trusts, and we will be piloting a cost method to integrate it into patient-level costing from 2019.

In addition to supporting the rollout of patient-level costing, we are working with integrated care systems to identify how costing can support local health systems to manage an entire population's health needs, bringing together cost and activity data from different provider settings. This is at an early stage, but we hope to pilot and share learning from this during the year.

As our case for change and impact assessments have shown, the benefits of good costing for patients are significant, so we would like to thank all those involved in bringing about the transition to patient-level costing. We are committed to working in partnership with you to make this change happen as smoothly as possible.

This guidance applies to costing for 2017/18 and 2018/19

This is NHS Improvement's[5] approved guidance on obtaining, recording and maintaining information about costs, and reporting that information. It applies to costing information relating to both 2017/18 and 2018/19, and includes the recording and reporting requirements with which NHS trusts and foundation trusts

[5] The Health and Social Care Act 2012 confers functions on Monitor in relation to the national tariff, pricing and costing. Monitor is now operating together with the NHS Trust Development Authority as an integrated organisation known as NHS Improvement. References in this document to NHS Improvement and its costing functions are therefore references to Monitor.

must comply. Appendices 1 and 2 explain the status of the guidance and set out which parts must be applied by which type of trust.

This guidance includes the third and final version of the *Healthcare costing standards for England* – acute. It follows earlier development versions published in April 2016 and January 2017 and implemented voluntarily by acute trusts over the last two years. It also includes a second draft of the ambulance costing standards, which were piloted last year. An updated version – to be published in March 2018 – will include the second version of the mental health costing standards and a first draft of the community costing standards and costing standards for E&T.

A key feature of the acute standards is that this version is to be applied to two years of cost data: 2017/18 cost data to support the voluntary cost collection in summer 2018, and 2018/19 cost data for the mandated patient-level costs collection in summer 2019. In future the acute standards will be published as part of the Approved Costing Guidance in January, ready for use on 1 April for the coming financial year.

We will continue to make changes to the standards, informed by our experience of implementation and the costing information requirements of end-users. As is our current practice, we will ensure all future developments are clearly logged and mapped for you in the technical documents. As the standards for the other sectors reach their third and final version, they will follow this pattern too.

Patient-level costing will become mandatory for acute providers

Following consultation in 2017, NHS Improvement's board approved the proposal to mandate trusts to record the costs of acute activity at a patient level consistent with the *Healthcare costing standards for England* – acute, and to report these costs using the patient-level costing collection guidance in the Approved Costing Guidance. A full response to the consultation is available on our website.[6]

This means that for the providers listed in Appendix 2, from 1 April 2018 it will be mandatory to use the *Healthcare costing standards for England* – acute when calculating their acute patient-level activity costs.[7] This also means from 2019 it will

[6] https://improvement.nhs.uk/resources/mandating-patient-level-costing/
[7] Acute activity comprises admitted patient care (elective, non-elective and day case), outpatients (attendances and procedures) and emergency medicine.

be mandatory for all acute trusts to submit costs in line with the prescribed patient-level costing collection guidance. Please note, as outlined in Section 3 and in Appendix 4, we ask acute trusts to follow a phased implementation pathway for the standards, once they become mandatory.

For acute providers taking part in the patient-level cost collection in 2018 (which covers 2017/18 data), and calculating and reporting patient-level costs consistent with the standards and collection guidance, remains voluntary. But we urge those doing so to follow the standards and guidance included in this document.

Mental health and ambulance providers

We propose to take the same approach for mental health and ambulance trusts. This means that, subject to consultation and considering the proposals' likely impact, from 1 April 2019 it may become mandatory for providers of mental health and ambulance NHS services to use the *Healthcare costing standards for England* when calculating their patient-level activity costs.[8] From 2020 it may be mandatory for these providers to submit costs to us in line with the prescribed patient-level costing collection guidance.

Community providers

We propose to take the same approach in 2020 for community providers.

Independent providers

We will continue to work with independent providers on plans to mandate patient-level costing for their activity over the next few years.

Patient-level costing as a mandated information standard

We are working with NHS Digital to produce a mandated information standard for patient-level costing for acute trusts, and expect this to be approved in the next year. This will ensure costing standards and requirements on informatics teams are aligned across the sector.

Information standards for the other sectors will follow in due course.

[8] More information on the process will be available at https://improvement.nhs.uk/resources/mandating-patient-level-costing/

What you need to do for costing in 2017/18 and 2018/19

The Approved Costing Guidance contains:

- the costing principles – applicable to all sectors
- the final version of the *Healthcare costing standards for England* – acute ('the acute standards')
- a one-year transitional costing method to be used by acute early implementers for E&T
- version 2 of the *Healthcare costing standards for England* – ambulance ('the ambulance standards')
- collections guidance covering reference costs collection for all sectors and joint PLICS and reference costs collection guidance for acute providers.

This guidance will be updated in March 2018 to include:

- version 2 of the *Healthcare costing standards for England* – mental health ('the mental health standards')
- version 1 of the *Healthcare costing standards for England* – community ('the community standards')
- version 1 of the Healthcare costing standards for England – education and training ('the E&T standards')
- cost collection guidance for mental health and ambulance providers
- the costing glossary – explanations and definitions of key words and phrases.

The collection guidance for E&T and community cost collections will be released directly to roadmap partners and early implementers, and not published on our website.

By the end of March 2018 and for the first time we will have standards that all NHS providers can apply, as well as an interim and proposed longer-term approach to E&T costs.

The revised costing assessment tool (CAT), final reference costs workbook and PLICS file specifications will follow in April 2018.

Please note the versions of these documents in this Approved Costing Guidance supersede all previous versions of these documents.

Please read all the associated guidance relevant to the services your organisation provides before proceeding with implementation. Appendix 3 summarises which parts of the guidance apply to different providers.

Calculating reference costs

All NHS trusts and NHS foundation trusts – 2017/18 activity

We ask all trusts to follow the collections guidance in the Approved Costing Guidance when preparing reference costs for submission. In addition, you should use the following standards for calculating reference costs:

- Acute:
  - Standard IR2: Managing information for costing
  - Standard CP1: The role of the general ledger
  - Standard CP5: Reconciliation
  - Standard CP6: Assurance of cost data
  - Standard CM9: Cancer MDT meetings
- Mental health:
  - Standard IR2: Managing information for costing
  - Standard CP1: The role of the general ledger
  - Standard CP5: Reconciliation
  - Standard CP6: Assurance of cost data
- Ambulance:
  - Standard IR2: Managing information for costing
  - Standard CP1: The role of the general ledger
  - Standard CP5: Reconciliation

- Community:
  - Standard IR2: Managing information for costing
  - Standard CP1: The role of the general ledger
  - Standard CP5: Reconciliation.

All NHS trusts and foundation trusts – 2018/19 activity

Acute trusts

Until a decision is taken to stop the reference costs collection, you must continue to record and allocate costs on a reference costs basis in line with the Approved Costing Guidance.

All other trusts

You must continue to record and allocate costs on a reference costs basis in line with the Approved Costing Guidance.

Calculating patient-level costs

Acute trusts – 2017/18 activity

We ask acute providers that have not yet implemented patient-level costing to implement the standards for their 2017/18 patient-level costs during the first half of 2018 and to take part in the voluntary cost collection in summer 2018.

We ask those that implemented patient-level costing last year to continue to improve their costing in line with the standards and to take part in the voluntary cost collection in summer 2018.

Mental health trusts – 2017/18 activity

We ask those mental health providers that have volunteered as 'early implementers' to implement the mental health standards for their 2017/18 patient-level costs and activity during the first half of 2018, and to take part in the voluntary cost collection in autumn 2018.

If you would like to volunteer to be an early implementer of the mental health standards and take part in the voluntary cost collection in the autumn, please contact us at Costing@improvement.nhs.uk

Community trusts – 2017/18 activity

Community roadmap partners have volunteered to implement the community standards for their 2017/18 patient-level costs and activity in the first half of 2018, and to take part in a voluntary pilot collection in autumn 2018.

If you would like to volunteer to be an early implementer of the community standards and take part in the voluntary cost collection in the autumn, please contact us at Costing@improvement.nhs.uk

Community providers that are not planning to be early implementers this year should start preparing to implement patient-level costing: for example, by acquiring suitable costing software. If you do not have a software system capable of supporting these standards, you should take steps to implement one. We can help if you need advice on how to go about this.

Education and training – 2017/18 activity

E&T roadmap partners have volunteered to implement the E&T standards for their 2017/18 E&T costs and activity in the first half of 2018, and to take part in a voluntary pilot collection in autumn 2018.

If you would like to volunteer to be an early implementer of the E&T standards and take part in the voluntary cost collection in the autumn, please contact us at Costing@improvement.nhs.uk

We ask acute early implementers to follow the one-year transitional costing approach.

All providers should continue to cost their E&T in line with their current processes.

Acute trusts – 2018/19 activity

From 1 April 2018 acute trusts must implement the standards to record and report their costs on a patient-level basis for 2018/19 acute activity, using the prescribed patient-level costing method in this guidance in readiness to take part in the first mandatory patient-level cost collection in summer 2019.

We have developed a three-year transition implementation path. This is described in the technical document and in Appendix 4. Please use this path when

implementing the standards in readiness to take part in the first mandatory patient-level cost collection.

This means the approved transition implementation plan for all providers is:

- 2018/19 cost data to be collected in 2019 – year 1
- 2019/20 cost data to be collected in 2020 – year 2
- 2020/21 cost data to be collected in 2021 – year 3.

Mental health, ambulance and community trusts – 2018/19 activity

We ask trusts that have not yet implemented patient-level costing to join those that have, implementing the standards for their 2018/19 patient-level costs during the first half of 2018 and taking part in the voluntary cost collection in summer 2019.

NHS Improvement's implementation support

Following the large-scale rollout of patient-level costing to acute providers in 2017, we have refined our implementation support.

We appreciate that implementation involves significant work, and we have tried to learn from previous years' experience. To help make implementation as smooth as possible, we have developed a wide range of digital tools, webinars and ways of contacting peers and our costing team directly. We encourage you to take full advantage of our implementation support for your sector.

If you have signed up as an early implementer, we will contact you directly to advise you how to access support.

Cost collections for 2018

The Approved Costing Guidance explains the approach to cost collection for 2018, covering the 2017/18 financial year, as we announced in October 2017.[9]

We designed the coming year's approach to ensure we continue to collect the information needed to meet statutory requirements, while embedding patient-level

[9] Update on cost collections in 2018: https://improvement.nhs.uk/uploads/documents/Costing_collections_in_2018_final1.pdf

costing and avoiding unnecessary demands on organisations. We are committed to reducing the burden of cost collection for all providers.

One original objective of the Costing Transformation Programme was to make the cost collection output a direct product of the costing process. This is still our aim, but we are also trying to achieve a single integrated cost collection and switch off reference costs to reduce the burden. But as reference costs have many users we do need to reassure them that patient-level costing is a credible alternative source of health cost data that meets their needs. This will affect how we collect cost data during the transition to a single integrated collection.

While the standards will continue to help organisations understand the costs of all the services they provide, we will continue to develop the collection requirements to meet end-users' needs and support the policy of moving to patient-level costing as the main source of national health cost data.

Acute trusts that are early implementers

For acute activity, patient-level and reference costs collections will run in parallel in 2018 as a joint process. The Approved Costing Guidance includes a single set of guidance and submission templates. This will ensure that outputs reconcile for the first time. We developed these documents with the sector.

The cost collections that early implementer acute providers will undertake in 2018 for 2017/18 cost data are:

- a patient-level costing return
- a business-as-usual reference costs return, net of E&T **income**.

The future of reference costs

If these two submissions reconcile successfully and the new system works to stakeholders' satisfaction, from 2019 we will move to a single national cost collection for acute services, based on patient-level costs. This will be used to derive the cost data needed by current users of reference costs. We will announce the results of this exercise in the Approved Costing Guidance 2019.

Until any change is announced you should continue to prepare for a reference costs collection for 2018/19 activity in 2019.

Acute trusts that are not early implementers

Acute providers that are not early implementers will undertake a business-as-usual reference costs return, net of E&T **income**, in 2018 for 2017/18 cost data.

Mental health, ambulance and community trusts

These providers should carry out a business-as-usual reference costs return that is net of E&T income. Roadmap partners and early implementers should follow the guidance in this document (or for mental health and community providers, in the March 2018 updated publication) to prepare and submit patient-level costs.

Collection timescale for 2018

The national cost collection will run from 18 June to 31 August. We have relaxed the earlier proposed timetable following feedback, to ensure as many acute providers as possible can take part in both collections. We appreciate that this is still challenging for some providers, particularly those implementing patient-level costing for the first time. We will support the sector to implement patient-level costing and successfully complete the cost collection. The timing is driven by our need to align the reference costs and patient-level cost submissions for acute providers in time to decide about moving to a single cost collection for acute providers in 2019.

All other providers are asked to follow the same timescales for the reference costs submission as acute providers. The patient-level cost submissions for non-acute providers will be phased over the autumn 2018, with more details to be announced in March.

Timeline for costing submissions in 2018

- Acute patient-level costing and reference costs (submitted together): [18 June to 31 August (with the resubmission window 24 September to 5 October)].
- Reference costs for all other providers: 18 June to 31 August.
- Patient-level costs for other provider types: autumn 2018, timing to be confirmed.

Publication of collected data

The collection of patient-level costing data is intended to help providers manage their costs, improve productivity, eliminate unwarranted variation and overall to improve services for patients. To achieve this, we are committed to returning the data collected to NHS providers, and other users of cost data, as rapidly as possible and in a format that helps achieve these objectives.

We will continue to release data into the costing portal, improve the portal's functionality in partnership with providers, and align it more closely with the Model Hospital, so that costs sit alongside other key performance measures to inform management decisions.

To this end, we intend to release data as soon as we can after the collection finishes, with tools to help providers identify and improve their cost data. We then intend to allow data to be resubmitted, to maximise its quality and usefulness.

Information governance

The patient level costing (acute) dataset (PLCADS) contains unit costs for inpatient admissions, accident and emergency attendances, and outpatient attendances for NHS providers in England.

NHS Digital will collect the PLCADS information from providers (subject to a mandatory request from NHS Improvement being accepted by NHS Digital). NHS Digital may publish and/or disseminate data collected and/or created under that request; this may include dissemination to other organisations. The acceptance of our mandatory request and any subsequent use of PLCADS data collected under that mandatory request will be subject to the appropriate information governance processes and relevant approval.

If you have any objections to how your data will be used, please contact Costing@improvement.nhs.uk

How PLCADS will be used by NHS Improvement

HES-PLCADS is created by NHS Digital at the request of NHS Improvement. NHS Digital collects PLCADS data from NHS providers, matches this dataset with the Hospital Episode Statistics (HES), adds key identifiers (to allow NHS Improvement

to subsequently link this data with HES) and pseudonymises the data before providing HES-PLCADS to NHS Improvement.

We intend to use the HES-PLCADS data in our pricing and other functions:[10]

- informing the national tariff
- production and distribution of patient-level data in NHS Improvement tools for use by NHS providers, eg national PLICS portal and PLICS data quality tool[11]
- supporting efficiency and quality of care improvement programmes, eg Getting It Right First Time (GIRFT)[12] and operational productivity in NHS providers
- informing and modelling new methods of pricing NHS services
- informing new approaches and other changes to currency design
- improving future cost collections
- informing the relationship between provider and patient characteristics and cost
- developing analytical tools and reports to help providers improve their data quality, identify operational and clinical efficiencies, and review and challenge their patient-level cost data.

As well as sharing the HES-PLCADS data in NHS Improvement, we intend (subject to approval by NHS Digital) to share pseudonymised HES-PLCADS patient-level data with participating providers and arm's length bodies using our tools and reports. The benefits of doing this are:

- with participating providers: supports the implementation of integrated care systems and additional functionality in new releases of our tools
- with the Department of Health and Social Care (DHSC), NHS England, NHS Digital and other organisations and individuals: helps to:
  - identify operational and clinical efficiencies, eg NHS RightCare
  - provide comparative costs to support evaluation of new or innovative medical technologies

[10] See Section 70 of the Health and Social Care Act 2012.
[11] https://improvement.nhs.uk/resources/tools-for-using-costing-data/
[12] http://gettingitrightfirsttime.co.uk/

- respond to NHS Improvement freedom of information requests and parliamentary questions
- benchmark performance against other NHS and international providers
- inform academic research.

Costing education and training

Acute, mental health and community sectors

The integrated reference costs submission (including E&T) will **not** be required in 2018. This will reduce the burden of collection and focus efforts on achieving a single patient-level cost collection aligned to the 'business-as-usual' reference costs.

However, E&T costs remain important. Providers should continue to manage their E&T costs locally. Nationally, during the coming year we will develop and implement new E&T standards, and integrate E&T costs into patient-level cost collections.

NHS Improvement, Health Education England (HEE) and DHSC have established a working group with representative providers to support the development of standards for costing E&T and to review how this costing works alongside patient-level costing.

E&T roadmap partners will implement costing standards during the first half of 2018 and take part in a voluntary cost collection in autumn 2018.

Following a successful pilot, we expect to integrate the improved E&T methodology into patient-level costs from 2019. We will advise on the scope of the 2019 collections later in 2018. However, all providers should continue to record both the income and costs of their E&T, as for any other important service line.

Ambulance sector

For previous collections of E&T costs, the ambulance sector was out of scope. NHS Improvement, HEE and DHSC are working with our ambulance technical focus group to develop E&T standards for ambulance service providers and to develop a collection.

E&T ambulance roadmap partners will implement the E&T ambulance costing standards during the first half of 2018 and take part in a voluntary cost collection in autumn 2018.

Patient-level costing software

Patient-level costing software suppliers are key stakeholders in the Costing Transformation Programme. Alongside this document we are publishing updated *Minimum software requirements for costing NHS services in England*. These describe the functionality required to support this guidance, and we ensure the software product development plan synchronises with the mandatory transition implementation plan.

To help software suppliers plan their product development, this year's *Minimum software requirements for costing NHS services in England* introduces a three-year development cycle of:

- year 1: requirement flagged as 'future requirements'
- year 2: requirement moves into the body of the document, flagged as a 'should'
- year 3: requirement moves from a 'should' to a 'must'.

The pre-population of the cost ledger template in costing systems has moved from a 'future requirement' to a 'should'. Costing E&T in the costing system is flagged in 'future requirements'.

We appreciate the time software suppliers take to provide us with feedback from their own and their clients' perspective. We thank them for their support and are committed to continuing to work closely with software suppliers.

To support them we have set up the supplier forum, which meets regularly to share information and enable suppliers to feed back on progress and future plans.

Costing assurance

The 2016/17[13] costing assurance programme

The 2016/17 assurance programme (covering costing in 2015/16), undertaken by Ernst & Young (EY), was designed to:

- help acute trusts moving to patient-level costing, identifying where NHS Improvement could provide additional support
- gain an initial understanding of the accuracy of mental health costing.

The final dashboards for the assessments from the programme are available on our website.[14]

Acute

Findings from the acute work indicate costing has improved across most providers, though many of the challenges of embedding costing and patient-level costing remain. This work has enabled us to identify where we need to improve our support and guidance for providers.

Mental health

Costing at mental health providers is not as advanced. Our review of the audit findings indicated the sector needed more support to improve its costing.

The 2017/18 costing assurance programme

Acute

The 2017/18 assurance programme has two parts:

- EY reviewed the accuracy of the patient-level and reference costs submissions. It focused on providing support to patient-level costing early implementers and telling us where guidance and support needed improvement. We have used the findings of this recently completed review

[13] Note the assurance programme runs during the current financial year but reviews the previous financial year.
[14] https://improvement.nhs.uk/resources/costing-assurance-programme/

to improve this guidance and support for trusts moving towards submitting patient-level costing in future years.

- We are reviewing the accuracy of reference costs at all remaining acute providers. This involves assessing progress on previous plans and reviewing the 2016/17 submission. This work will be completed in spring 2018.

We will publish a summary of the findings from the 2017/18 costing assurance programme on our website later in the year.[15] We have not assessed the accuracy of costing at any mental health providers in 2017/18, instead concentrating on helping them to implement patient-level costing.

[15] https://improvement.nhs.uk/resources/costing-assurance-programme/

Appendix 1: About the Approved Costing Guidance

The Approved Costing Guidance describes the process of producing and collecting costs, both patient-level and reference costs. In particular it covers obtaining and recording information about the costs of providing NHS services, the allocation of such costs, and the requirements and guidance for reporting them to us. It is updated and issued annually. It includes both mandatory and voluntary elements, but we recommend you use this guidance for all your costing processes and collections. Appendix 3 shows the structure, intended users and compliance status of each part of the guidance for 2017/18 and 2018/19 cost data.

Our provider licence[16] and Single Oversight Framework[17] are the main tools with which we oversee providers of NHS services. NHS foundation trusts and many independent providers of NHS services must hold a licence. It includes standard conditions, some of which enable us to fulfil our duties with NHS England to set prices for NHS care. Although NHS trusts do not have to hold a provider licence, they must comply with most of its conditions, including its requirements relating to pricing and costing.[18]

Three licence conditions relate to costing:

- Pricing Condition 1: Recording of information
- Pricing Condition 2: Provision of information
- Pricing Condition 3: Assurance report on submissions to NHS Improvement.

[16] The Health and Social Care Act 2012 provides for a licence to be issued by Monitor to providers of NHS services. For further details see: https://improvement.nhs.uk/resources/apply-for-an-nhs-provider-licence/
[17] See: https://improvement.nhs.uk/resources/single-oversight-framework/
[18] See: https://improvement.nhs.uk/news-alerts/provider-bulletin-7-december/#SOF

Pricing Condition 1 specifies that if required in writing by NHS Improvement, providers must:

- obtain, record and maintain information about costs (and have any necessary systems and methods for doing so)
- record and allocate costs in accordance with our 'approved reporting currencies' and 'approved guidance'.

Pricing Condition 2 includes a provision that a provider must give us such information, documents and reports as we may require for the purposes of our pricing functions and in such form and at such times as we may require.

This guidance imposes the relevant requirements under those conditions for recording and collecting 2017/18 cost information and recording 2018/19 cost information (with a view to collection in 2019). These requirements apply to NHS trusts and foundation trusts.

For 2017/18 information, the reference costs guidance contains our 'approved reporting currencies' and 'approved guidance', which trusts must use to allocate, record and report 2017/18 cost data. The guidance therefore describes the mandatory requirements for all trusts in relation to collecting cost information – which can be enforced under the provider licence conditions (for both NHS trusts and foundation trusts). Data submitted for reference costs and patient-level costs may be subject to external assurance.

For 2018/19 information, the reference costs guidance states the requirements for allocating and recording 2018/19 cost data. But in addition, acute trusts must apply the healthcare costing standards and guidance on patient-level costs when obtaining, recording and maintaining 2018/19 cost data in relation to acute activity – with a view to the first mandatory collection of patient-level costs in 2019. The standards and patient-level costs guidance remain voluntary for other providers.

We continue not to impose any requirements on independent providers, although we encourage them to comply with the costing principles. We may, however, require costing and other information to be submitted in future.

Appendix 2: Mandated acute providers

Providers mandated from 1 April 2018 to use the *Healthcare costing standards for England* – acute when calculating their acute patient-level activity costs

Org code	Organisation name	Org code	Organisation name
REM	Aintree University Hospital NHS Foundation Trust	RBZ	Northern Devon Healthcare NHS Trust
RCF	Airedale NHS Foundation Trust	RJL	Northern Lincolnshire and Goole NHS Foundation Trust
RBS	Alder Hey Children's NHS Foundation Trust	RTF	Northumbria Healthcare NHS Foundation Trust
RTK	Ashford and St Peter's Hospitals NHS Foundation Trust	RX1	Nottingham University Hospitals NHS Trust
RF4	Barking, Havering and Redbridge University Hospitals NHS Trust	RTH	Oxford University Hospitals NHS Foundation Trust
RFF	Barnsley Hospital NHS Foundation Trust	RGM	Royal Papworth Hospital NHS Foundation Trust
R1H	Barts Health NHS Trust	RW6	Pennine Acute Hospitals NHS Trust

Org code	Organisation name	Org code	Organisation name
RDD	Basildon and Thurrock University Hospitals NHS Foundation Trust	RK9	Plymouth Hospitals NHS Trust
RC1	Bedford Hospital NHS Trust	RD3	Poole Hospital NHS Foundation Trust
RQ3	Birmingham Women's and Children's Hospital NHS Foundation Trust	RHU	Portsmouth Hospitals NHS Trust
RXL	Blackpool Teaching Hospitals NHS Foundation Trust	RPC	Queen Victoria Hospital NHS Foundation Trust
RMC	Bolton NHS Foundation Trust	RHW	Royal Berkshire NHS Foundation Trust
RAE	Bradford Teaching Hospitals NHS Foundation Trust	RT3	Royal Brompton & Harefield NHS Foundation Trust
RXH	Brighton and Sussex University Hospitals NHS Trust	REF	Royal Cornwall Hospitals NHS Trust
RXQ	Buckinghamshire Healthcare NHS Trust	RH8	Royal Devon and Exeter NHS Foundation Trust
RJF	Burton Hospitals NHS Foundation Trust	RAL	Royal Free London NHS Foundation Trust
RWY	Calderdale and Huddersfield NHS Foundation Trust	RQ6	Royal Liverpool and Broadgreen University Hospitals NHS Trust
RGT	Cambridge University Hospitals NHS Foundation Trust	RAN	Royal National Orthopaedic Hospital NHS Trust

Org code	Organisation name	Org code	Organisation name
RQM	Chelsea and Westminster Hospital NHS Foundation Trust	RA2	Royal Surrey County Hospital NHS Foundation Trust
RFS	Chesterfield Royal Hospital NHS Foundation Trust	RD1	Royal United Hospitals Bath NHS Foundation Trust
RLN	City Hospitals Sunderland NHS Foundation Trust	RM3	Salford Royal NHS Foundation Trust
RDE	Colchester Hospital University NHS Foundation Trust	RNZ	Salisbury NHS Foundation Trust
RJR	Countess of Chester Hospital NHS Foundation Trust	RXK	Sandwell and West Birmingham Hospitals NHS Trust
RXP	County Durham and Darlington NHS Foundation Trust	RCU	Sheffield Children's NHS Foundation Trust
RJ6	Croydon Health Services NHS Trust	RHQ	Sheffield Teaching Hospitals NHS Foundation Trust
RN7	Dartford and Gravesham NHS Trust	RK5	Sherwood Forest Hospitals NHS Foundation Trust
RTG	Derby Teaching Hospitals NHS Foundation Trust	RXW	Shrewsbury and Telford Hospital NHS Trust

Org code	Organisation name	Org code	Organisation name
RP5	Doncaster and Bassetlaw Hospitals NHS Foundation Trust	RTR	South Tees Hospitals NHS Foundation Trust
RBD	Dorset County Hospital NHS Foundation Trust	RE9	South Tyneside NHS Foundation Trust
RWH	East and North Hertfordshire NHS Trust	RJC	South Warwickshire NHS Foundation Trust
RJN	East Cheshire NHS Trust	RAJ	Southend University Hospital NHS Foundation Trust
RVV	East Kent Hospitals University NHS Foundation Trust	RVY	Southport and Ormskirk Hospital NHS Trust
RXR	East Lancashire Hospitals NHS Trust	RJ7	St George's University Hospitals NHS Foundation Trust
RXC	East Sussex Healthcare NHS Trust	RBN	St Helens and Knowsley Hospital Services NHS Trust
RVR	Epsom and St Helier University Hospitals NHS Trust	RWJ	Stockport NHS Foundation Trust
RDU	Frimley Health NHS Foundation Trust	RTP	Surrey and Sussex Healthcare NHS Trust

Org code	Organisation name	Org code	Organisation name
RR7	Gateshead Health NHS Foundation Trust	RMP	Tameside and Glossop Integrated Care NHS Foundation Trust
RLT	George Eliot Hospital NHS Trust	RBA	Taunton and Somerset NHS Foundation Trust
RTE	Gloucestershire Hospitals NHS Foundation Trust	RBV	The Christie NHS Foundation Trust
RP4	Great Ormond Street Hospital for Children NHS Foundation Trust	REN	The Clatterbridge Cancer Centre NHS Foundation Trust
RN3	Great Western Hospitals NHS Foundation Trust	RNA	The Dudley Group NHS Foundation Trust
RJ1	Guy's and St Thomas' NHS Foundation Trust	RAS	The Hillingdon Hospitals NHS Foundation Trust
RN5	Hampshire Hospitals NHS Foundation Trust	RTD	The Newcastle upon Tyne Hospitals NHS Foundation Trust
RCD	Harrogate and District NHS Foundation Trust	RQW	The Princess Alexandra Hospital NHS Trust
RR1	Heart of England NHS Foundation Trust	RCX	The Queen Elizabeth Hospital, King's Lynn, NHS Foundation Trust

Org code	Organisation name	Org code	Organisation name
RQX	Homerton University Hospital NHS Foundation Trust	RL1	The Robert Jones and Agnes Hunt Orthopaedic Hospital NHS Foundation Trust
RWA	Hull and East Yorkshire Hospitals NHS Trust	RFR	The Rotherham NHS Foundation Trust
RYJ	Imperial College Healthcare NHS Trust	RDZ	The Royal Bournemouth and Christchurch Hospitals NHS Foundation Trust
RGQ	Ipswich Hospital NHS Trust	RPY	The Royal Marsden NHS Foundation Trust
R1F	Isle of Wight NHS Trust	RRJ	The Royal Orthopaedic Hospital NHS Foundation Trust
RGP	James Paget University Hospitals NHS Foundation Trust	RL4	The Royal Wolverhampton NHS Trust
RNQ	Kettering General Hospital NHS Foundation Trust	RET	The Walton Centre NHS Foundation Trust
RJZ	King's College Hospital NHS Foundation Trust	RKE	The Whittington Hospital NHS Trust
RAX	Kingston Hospital NHS Foundation Trust	RA9	Torbay and South Devon NHS Foundation Trust

Org code	Organisation name	Org code	Organisation name
RXN	Lancashire Teaching Hospitals NHS Foundation Trust	RWD	United Lincolnshire Hospitals NHS Trust
RR8	Leeds Teaching Hospitals NHS Trust	RRV	University College London Hospitals NHS Foundation Trust
RJ2	Lewisham and Greenwich NHS Trust	RHM	University Hospital Southampton NHS Foundation Trust
RBQ	Liverpool Heart and Chest Hospital NHS Foundation Trust	RRK	University Hospitals Birmingham NHS Foundation Trust
REP	Liverpool Women's NHS Foundation Trust	RA7	University Hospitals Bristol NHS Foundation Trust
R1K	London North West Healthcare NHS Trust	RKB	University Hospitals Coventry and Warwickshire NHS Trust
RC9	Luton and Dunstable University Hospital NHS Foundation Trust	RWE	University Hospitals of Leicester NHS Trust
RWF	Maidstone and Tunbridge Wells NHS Trust	RTX	University Hospitals of Morecambe Bay NHS Foundation Trust
RPA	Medway NHS Foundation Trust	RJE	University Hospitals of North Midlands NHS Trust

Org code	Organisation name	Org code	Organisation name
R0A	Manchester University NHS Foundation Trust	RBK	Walsall Healthcare NHS Trust
RBT	Mid Cheshire Hospitals NHS Foundation Trust	RWW	Warrington and Halton Hospitals NHS Foundation Trust
RQ8	Mid Essex Hospital Services NHS Trust	RWG	West Hertfordshire Hospitals NHS Trust
RXF	Mid Yorkshire Hospitals NHS Trust	RGR	West Suffolk NHS Foundation Trust
RD8	Milton Keynes University Hospital NHS Foundation Trust	RYR	Western Sussex Hospitals NHS Foundation Trust
RP6	Moorfields Eye Hospital NHS Foundation Trust	RA3	Weston Area Health NHS Trust
RM1	Norfolk and Norwich University Hospitals NHS Foundation Trust	RBL	Wirral University Teaching Hospital NHS Foundation Trust
RVJ	North Bristol NHS Trust	RWP	Worcestershire Acute Hospitals NHS Trust
RNL	North Cumbria University Hospitals NHS Trust	RRF	Wrightington, Wigan and Leigh NHS Foundation Trust

Org code	Organisation name	Org code	Organisation name
RAP	North Middlesex University Hospital NHS Trust	RLQ	Wye Valley NHS Trust
RVW	North Tees and Hartlepool NHS Foundation Trust	RA4	Yeovil District Hospital NHS Foundation Trust
RGN	North West Anglia NHS Foundation Trust	RCB	York Teaching Hospital NHS Foundation Trust
RNS	Northampton General Hospital NHS Trust		

Appendix 3: Structure, users and compliance

Structure, intended users and compliance status of the Approved Costing Guidance for 2017/18 and 2018/19 cost data

Table A3.1: Structure, intended users and compliance status of the Approved Costing Guidance for 2017/18 cost data

Title	Contents	Providers and their compliance status				
		Acute	Mental health	Ambulance	Community	Independent
Approved Costing Guidance 2018	What you need to know and what you need to do for 2018	For information purposes	For information purposes	For information purposes	For information purposes	For information purposes
The costing principles	Principles underpinning costing NHS services	Voluntary	Voluntary	Voluntary	Voluntary	Voluntary
Healthcare costing standards for England (the standards)	Costing processes and methods to be applied to 2017/18 data	Voluntary using final version	Voluntary using version 2	Voluntary using version 2	Voluntary using version 1	N/A

Title	Contents	Providers and their compliance status				
		Acute	Mental health	Ambulance	Community	Independent
E&T year 1 transitional method	Costing process to be applied to 2017/18 cost data	Voluntary for early implementers	N/A	N/A	N/A	N/A
Healthcare costing standards for England – E&T focus	Costing process to be applied to 2017/18 cost data	Voluntary using version 1	Voluntary using version 1	Voluntary using version 1	Voluntary using version 1	N/A
Patient-level costing collection guidance*	Guidance providers submitting patient-level costs calculated by following the standards for 2017/18 data	Voluntary	Voluntary	Voluntary	N/A[19]	N/A
Reference costs collection guidance*	Annual reference costs collection guidance which should be completed using the standards for 2017/18 data	Mandatory	Mandatory	Mandatory	Mandatory	N/A

* Please note: For 2017/18, acute patient-level costing collection guidance has been combined with reference cost collection guidance in *National cost collections guidance 2018*[20]

[19] The community collection guidance is issued directly to the community roadmap partners.
[20] https://improvement.nhs.uk/resources/approved-costing-guidance-collections

Table A3.2: Structure, intended users and compliance status of the Approved Costing Guidance for 2018/19 cost data

Title	Contents	Providers and their compliance status				
		Acute	Mental health	Ambulance	Community	Independent
Approved Costing Guidance 2019	What you need to know and what you need to do for 2019	For information purposes	For information purposes	For information purposes	For information purposes	For information purposes
The costing principles	Principles underpinning costing NHS services	Mandatory	Voluntary	Voluntary	Voluntary	Voluntary
Healthcare costing standards for England (the standards)	Costing processes and methods to be applied to 2018/19 data	Mandatory using final version	Voluntary using version 3	Voluntary using version 3	Voluntary using version 2	TBC
Healthcare costing standards for England – E&T focus	Costing process to be applied to 2018/19 cost data	Mandatory using version 2	Mandatory using version 2	Voluntary using version 2	Mandatory using version 2	N/A
Patient-level costing collection guidance	Collection guidance for patient-level costs should be completed using the standards for 2018/19 data	Mandatory	Voluntary	Voluntary	Voluntary	TBC

Title	Contents	Providers and their compliance status				
		Acute	Mental health	Ambulance	Community	Independent
Reference costs collection guidance	Annual reference costs collection guidance which should be completed using the standards for 2018/19 data	Mandatory	Mandatory	Mandatory	Mandatory	N/A
E&T cost collection guidance	Collection guidance for E&T costs should be completed using the standards for 2018/19 data	Mandatory	Mandatory	Voluntary	Mandatory	N/A

Appendix 4: Costing Transformation Programme – Approach to standards implementation

NHS Improvement's board approved the proposal to mandate providers to record the costs of acute activity at a patient level from 2018/19 consistent with the *Healthcare costing standards for England* – acute, and to report them from 2019 using the patient-level costing collection guidance in the Approved Costing Guidance.

Given the scale and complexity of implementing the standards and the work involved, we will indicate where we will concentrate our efforts in securing compliance for 2018/19 costs (to be reported in 2019) and for each of the following two years. We identify certain requirements that will not be mandatory in year 1 in the 'transition path' spreadsheet in the technical document – see Table A4.1 below.

In summary, the approach will be:

- For 2018/19 costs (reporting in 2019), we will prioritise compliance with the information requirements and costing processes standards. However:
  - we will phase compliance with the information feeds over three years, identifying which feeds will be required for each year – see Spreadsheets IR1.1 and IR1.2 in the technical document
  - for Standard CP2: Clearly identifiable costs, the pre-populated template in the costing system and the adoption of linear mapping into the costing system will not be part of the mandatory requirements in year 1, but will be a year 2 enforcement priority (for 2019/20 costs, to be reported in 2020).
- The remaining standards: the costing approaches and costing methods will not be mandatory in year 1 (although we will encourage adoption), and their introduction will be phased over years 2 and 3 (2019/20 and 2020/21 costs for reporting in 2020 and 2021, respectively).

An introduction to the Approved Costing Guidance 2018

Our intention is to ensure that the core costing processes and information dependencies are priorities, while recognising that certain elements of those standards are more challenging and require significant time.

Table A4.1: Transition path to implementing the standards

Standard number	Standard name	Section of the standard	Required by end of year
IR1	Collecting information for costing	Collection feeds	See Spreadsheets IR1.1 and IR1.2
IR2	Managing information for costing	All sections	1
CP1	Role of the general ledger in costing	All sections	1
CP2	Clearly identifiable costs	Cost ledger – deep dive into the general ledger and using the information to inform the processing rules in the costing system	1
		Cost ledger – pre-populated template in the costing system	2
		Linear mapping to be built into the costing systems (general ledger to cost ledger to local resource to resource to collection resource)	2
		Allocating type 1 support costs within cost centres	2
		All other sections	1
CP3	Appropriate cost allocation methods	All sections	1
		Pathology relative weight value	2
		Diagnostic imaging relative weight value	2
		Ward round relative weight value	3

Standard number	Standard name	Section of the standard	Required by end of year
CP4	Matching costed activities to patients	Reporting unmatched activity separately for local reporting purposes	For guidance only
		All other sections	1
CP5	Reconciliation	All sections	1
CP6	Assurance of cost data	All sections	1
CM1	Medical staffing	Allocating actual costs over actual activity	3
		Ward round relative weight value	3
		All other sections	1
CM2	Incomplete patient events	All sections	1
CM3	Non-admitted patient care	Costing clinics	3
		Costing duration of attendances	3
		All other sections	1
		DNAs	For guidance only
CM4	Accident and emergency attendances	All sections	1
CM5	Theatres	Allocating actual costs over actual activity	3
		Costing theatre sessions	3

Standard number	Standard name	Section of the standard	Required by end of year
		Costing at procedure level	3
		Allocating prostheses costs at patient level	3
		All sections	1
CM6	Critical care	Costing at shift level	3
		All other sections	1
CM7	Private patients and non-NHS patients living outside England	All sections	2
CM8	Other activities	All sections	2
CM9	Cancer MDT meetings	All sections	1
CM10	Pharmacy and medicines	All sections	1
CM11	Integrated providers	All sections	1
CM12	The income ledger	All sections	For guidance only
CA1	Tonsillectomy, 18 years and under	All sections	2
CA2	Cochlear implant surgery	All sections	3
CA3	Renal dialysis	All sections	2
CA4	Renal transplant	All sections	2
CA5	Chemotherapy	All sections	2

Standard number	Standard name	Section of the standard	Required by end of year
CA6	Cataract procedures	All sections	3
CA7	Orthopaedics	All sections	3
CA8	Maternity	All sections	2

Year 1 = 2018/19 for cost reporting in 2019; **year 2** = 2019/20 for reporting in 2020; **year 3** = 2020/21 for reporting in 2021.

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