An introduction to the Approved Costing Guidance 2019

What you need to know and what you need to do
We support providers to give patients safe, high quality, compassionate care within local health systems that are financially sustainable.
Contents

What you need to know for 2019 ......................................................... 2
What you need to do ............................................................................. 8
Legal matters .......................................................................................... 12
Appendix 1: Mandation timetable and high-level transition path ........................................... 17
Appendix 2: Costing Transformation Programme – detailed transitional pathway for costing ........................................... 19
What you need to know for 2019

Introduction

The coming year will see a major shift in costing in the NHS, with the submission of patient-level costs (PLC) becoming mandatory for acute NHS providers. They will stop submitting some elements of reference costs. Progress will continue in non-acute settings, with PLICS becoming mandatory in ambulance and mental health services from 2019/20 – their first mandatory PLICS submission will be in 2020. We will also continue to work with trusts to make costing data available through our national portal. The NHS is now well on the way to standardised, granular, comparable costing at patient level, which will bring significant benefits to the whole system. We thank all providers, their suppliers and our partners for their support with this ambitious project and look forward to continuing our partnership in the coming months.

How to use this guide

This document explains how we ask NHS providers to cost in the financial year ahead (2019/20) and to submit cost data in 2019 (for financial year 2018/19).

The Approved Costing Guidance is published on our website. It is formed of three sections. Table 1 explains how to use this guide, the legal status of each section and to whom it applies.

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1 We are considering our approach to independent sector providers of NHS activity but will not be collecting cost data from them in 2019. If you have any questions, please contact costing@improvement.nhs.uk

2 https://nhsi.okta-emea.com/login/login.htm?fromURI=%2Fapp%2FUserHome#
Table 1: How to use this guide

<table>
<thead>
<tr>
<th>Section</th>
<th>Summary</th>
<th>Financial year</th>
<th>Legal status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approved Costing Guidance</td>
<td>Introduces the guidance and provides essential information, including the costing principles.</td>
<td>N/A</td>
<td>For information purposes for all NHS providers.</td>
</tr>
<tr>
<td>Standards³</td>
<td>Contains the <em>Healthcare costing standards for England</em> as well as tools and templates to help you implement them.</td>
<td>2019/20 (2020 collection)</td>
<td>Mandatory for acute, mental health and ambulance activity from non-community organisations. Comply or explain for community providers/services.⁴</td>
</tr>
<tr>
<td>Collections</td>
<td>Provides details of the national cost collections as well as tools and templates to help you implement them.</td>
<td>2018/19 (2019 collection)</td>
<td>Mandatory for all NHS providers.</td>
</tr>
</tbody>
</table>

We also publish the costing principles⁵ as part of the Approved Costing Guidance. Though compliance is voluntary for all providers (both NHS and independent sector), they are a key part of this guide and support the costing standards.

Changes to collections in 2019

For 2019, we will be collecting patient-level costs from NHS acute providers for acute services in admitted patient care (APC), outpatient care and A&E. All other providers and services will continue to calculate and submit reference costs.

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³ The costing standards application to the financial year 2018/19 can be found at [https://improvement.nhs.uk/resources/approved-costing-guidance/](https://improvement.nhs.uk/resources/approved-costing-guidance/)

⁴ See Appendix 1.

⁵ [https://improvement.nhs.uk/documents/2358/The_costing_principles.pdf](https://improvement.nhs.uk/documents/2358/The_costing_principles.pdf)
As this is the first year of mandatory PLICS for acute providers, we have minimised changes for next year. However, key changes to be aware of are:

- Revised collection guidance for the national cost collection, including instructions for the integrated PLICS and reference costs submission for acute providers, is being issued as part of the Approved Costing Guidance. Changes in the collection’s scope are minimal, but as noted below, there will be further changes to collections from 2020 onwards.
- There will be no sector-wide education and training (E&T) cost collection while we review the findings from the voluntary E&T collection for 2017/18. In 2019 we will develop a methodology with the Department for Health and Social Care (DHSC) and Health Education England for the future collection of E&T costs.
- We are updating the digital platforms available to trusts and developing tools to automate mapping of resources as far as possible.
- We are working with NHS Digital to address the concerns about the collection timetable in 2019.

For 2019/20 (submission in 2020), patient-level costing will be mandatory for all providers except those whose main service is community. You will need to implement patient-level costing, consistent with the costing standards, if you provide:

- acute services – admitted patient care, non-admitted patient care and emergency departments
- ambulance – 999 services only
- mental health – including child and adolescent mental health services (CAMHS), Improving Access to Psychological Therapies (IAPT), adults and older people, forensic and secure.

Data for community health services will be collected using reference costs until 2020/21 (for collection in 2021).

**Future changes to costing in 2019/20**

Many local areas now operate as integrated care systems (ICSs); in others, sustainability and transformation partnerships provide the basis for closer working between commissioners, providers and local authorities. Costing is a significant
element in managing healthcare, so the move to PLICS across all secondary care providers in the next two years will be an important aid for systems to achieve sustainable healthcare. We are piloting ways to help local health systems link their cost data to provide a single joined-up view of cost at patient level, to inform decisions about their services. We will continue to work with ICSs over the coming year to help them use costing to manage their services.

Table 2 summarises the changes to the costing standards.

**Table 2: High level changes to the costing standards**

<table>
<thead>
<tr>
<th>Service</th>
<th>Summary</th>
</tr>
</thead>
</table>
| **General**      | We have started integrating the *Healthcare costing standards for England* into one document as most trusts provide more than one type of service. In practice, this means that where a standard is the same across multiple sectors, we have ensured that the documentation is the same.  

All the costing processes (CP) have been integrated into one document for use by acute, mental health and community services. In addition, a number of the costing methods (CM) have been integrated, but as some CMs remain sector-specific we have retained separate CM documentation for the acute, mental health and community services. There has been no integration for Ambulance services.  

The costing manual has been renamed the integrated costing assurance log (ICAL). The functionality of the workbook has not changed, but its new name better represents how it is used as part of the assurance programme. Combined with the costing assessment tool (CAT), it will form the basis of our assurance visits. |
| **Acute services** | We have made minimal changes to the costing standards for acute services for 2019 as this is the first year that compliance with the standards and transition pathway is mandated for designated acute providers.  

The main changes are:  
- Standard CM6: Critical care – method updated to align with the cost collection guidance. All organisations must now record a separate episode of care from the core episode when a patient is on a critical care unit. |
- Standard CM15: Cost classification (new; integrated) – cost collection information to include details on the classification of cost into fixed, semi-fixed and variable elements.
- Standard CM20: General practitioner services in secondary care settings (new; integrated) – where GPs are working in a secondary care setting, or where primary care services are being provided by a secondary care organisation, these costs are correctly identified and allocated to their associated activities, using the prescribed methods.

### Mental Health

<table>
<thead>
<tr>
<th>Revised standards have been published as part of the Approved Costing Guidance and have been mandated from 2019/20 (2020 collection).</th>
</tr>
</thead>
<tbody>
<tr>
<td>The main changes are:</td>
</tr>
<tr>
<td>- Standards CM15: Cost classification (integrated) and CM20: General practitioner services in secondary care settings (integrated) – updated to be consistent with the acute standards as part of integrating the standards.</td>
</tr>
<tr>
<td>- Development of the technical document to cover mental health services more appropriately.</td>
</tr>
</tbody>
</table>

### Ambulance

<table>
<thead>
<tr>
<th>Revised standards have been published as part of the Approved Costing Guidance and have been mandated from 2019/20 (2020 collection).</th>
</tr>
</thead>
<tbody>
<tr>
<td>The main changes are:</td>
</tr>
<tr>
<td>- Standard CP2: Clearly identifiable costs (updated) – standardised cost ledger has been updated and more clarity provided on central versus devolved type 1 support costs.</td>
</tr>
<tr>
<td>- Standard CP4: Matching costed activities to incidents and patients (updated) – the process of matching and then linking to patients has been clarified.</td>
</tr>
<tr>
<td>- Standard CP6: Assurance of cost data (new) – this is a new standard, designed to help ambulance trusts improve internal arrangements for assuring the accuracy of cost and activity data.</td>
</tr>
</tbody>
</table>

### Community

<table>
<thead>
<tr>
<th>Revised draft standards will be issued (April) as part of the Approved Costing Guidance for use by early implementers.</th>
</tr>
</thead>
<tbody>
<tr>
<td>The main changes are:</td>
</tr>
<tr>
<td>- Standards CM15: Cost classification (integrated) and CM20: General practitioner services in secondary care settings</td>
</tr>
</tbody>
</table>
As in previous years, where services are being mandated from 2019/20 onwards, we recommend that trusts start looking at the standards as a matter of priority and consider joining our early implementer programme for 2018/19 voluntary submissions for mental health, ambulance and community services.
What you need to do

Cost collections in 2019

This section provides details of the cost collections that will be undertaken in 2019. These will relate to the financial year 2018/19 and should be consistent with the costing standards published in January 2019\(^6\).

Please read all the associated guidance relevant to the services your organisation provides before proceeding with implementation.\(^7\)

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\(^6\) [https://improvement.nhs.uk/resources/approved-costing-guidance/](https://improvement.nhs.uk/resources/approved-costing-guidance/)

\(^7\) [https://improvement.nhs.uk/resources/costing-mandation-project/](https://improvement.nhs.uk/resources/costing-mandation-project/)
Table 2: Collections in 2019

<table>
<thead>
<tr>
<th>Collection</th>
<th>Summary</th>
<th>Applicable to</th>
<th>Expected collection window&lt;sup&gt;8&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>PLICS acute</td>
<td>Mandatory collection of PLICS data for A&amp;E, APC and outpatient care, consistent with 2018/19 costing standards. Reference costs will not be collected for these services from the designated acute providers, but providers will need to submit reference costs for acute services outside these areas.</td>
<td>Designated NHS acute providers&lt;sup&gt;9&lt;/sup&gt;</td>
<td>Each trust will be given a date in the timetable to submit its costing returns. Should there be an issue with this, please contact <a href="mailto:costing@improvement.nhs.uk">costing@improvement.nhs.uk</a> to discuss</td>
</tr>
<tr>
<td>PLICS mental health</td>
<td>Voluntary collection of PLICS data for 2018/19</td>
<td>Early implementers</td>
<td></td>
</tr>
<tr>
<td>PLICS ambulance</td>
<td>Voluntary collection of PLICS data for 2018/19</td>
<td>Early implementers</td>
<td></td>
</tr>
<tr>
<td>PLICS community</td>
<td>Voluntary collection of PLICS data for 2018/19</td>
<td>Early implementers</td>
<td></td>
</tr>
<tr>
<td>Reference cost</td>
<td>Mandatory collection of reference cost data</td>
<td>Acute services (except trusts and services included in the PLICS acute collection); NHS providers of mental health, ambulance and community services</td>
<td></td>
</tr>
</tbody>
</table>

<sup>8</sup> We will publish the final collection window on our website as soon as it is agreed with NHS Digital.

<sup>9</sup> [https://improvement.nhs.uk/resources/costing-mandation-project/](https://improvement.nhs.uk/resources/costing-mandation-project/)
**Collection timescale for 2019**

The national cost collection will run from summer to autumn 2019. We will publish the final dates on our website when agreed with NHS Digital\(^\text{10}\) and include details in the costing and provider newsletters.

We appreciate that this is a challenging time scale 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.

**Our implementation support**

We will continue to support all sectors in implementing and improving the accuracy of patient-level costs, including by providing tools. These include:

- information gap analysis template (IGAT)
- standards gap analysis template (SGAT)
- general ledger to cost ledger mapping tool
- costing assessment tool (CAT)
- data validation tool (DVT)
- minimum software requirements.
- national PLICS portal.

These are all supported by the online learning platform which is designed to support trusts implementing and submitting patient-level data\(^\text{11}\).

**Costing standards for 2019/20**

NHS Improvement’s\(^\text{12}\) approved costing guidance covers obtaining, recording and maintaining information about costs, and reporting that information.

Compliance with these standards (and the transitional pathways for costing; found in the technical documents) is mandated for:

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\(^\text{10}\) [https://improvement.nhs.uk/resources/approved-costing-guidance/](https://improvement.nhs.uk/resources/approved-costing-guidance/)

\(^\text{11}\) [https://www.openlearning.com/nhs](https://www.openlearning.com/nhs)

\(^\text{12}\) 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.
• acute services (admitted patient care, outpatient care and A&E)
• ambulance (999 services only)
• mental health (including CAMHS, IAPT, adults and older people, forensic and secure).

We have limited the changes to the guidance to support the implementation of patient-level costing across more services. Where changes are required during the transition to PLICS, we will signal these in advance and support trusts and costing system suppliers in implementing them. As is our current practice, we will clearly log and map all future developments for you in the technical document. We have also provided a phased implementation pathway for the standards for each of the services, to help trusts implement PLICS successfully.

For 2019/20, most cost information will be collected at a patient level – except community services or where a trust’s main service is community. For details on collection by trust and service, see Appendix 1.

Community services

We plan to extend patient-level costing to community services in 2020/21 subject to completing the mandation review. If you provide community services and would like to be involved in the project or as an early implementer, please contact us at costing@improvement.nhs.uk

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.
Legal matters

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 1 shows the structure, intended users and compliance status of each part of the guidance for 2019/20 cost data.

Our provider licence\textsuperscript{13} and Single Oversight Framework\textsuperscript{14} 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.\textsuperscript{15}

Three licence conditions relate to costing:

\begin{itemize}
  \item Pricing Condition 1: Recording of information
  \item Pricing Condition 2: Provision of information
  \item Pricing Condition 3: Assurance report on submissions to NHS Improvement.
\end{itemize}

\textsuperscript{13} 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: \url{https://improvement.nhs.uk/resources/apply-for-an-nhs-provider-licence/}

\textsuperscript{14} See: \url{https://improvement.nhs.uk/resources/single-oversight-framework/}

\textsuperscript{15} See: \url{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 2018/19 cost information and recording 2019/20 cost information (with a view to collection in 2020). These requirements apply to NHS trusts and foundation trusts. We have published the costing mandation timeline, which details by trust and service when they will be expected to submit patient-level costs.

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.

**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 PLICS 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.
Information governance

For 2019/20 we will collect three patient-level datasets:

- patient-level costing (acute) dataset (PLCADS) contains unit costs for inpatient admissions, accident and emergency attendances, and outpatient attendances
- mental health dataset (PLCMHDS) and IAPT dataset (PLCIADS) containing unit costs for contacts and inpatient admissions
- ambulance dataset (PLCAMDS) with unit costs for 999 activity.

NHS Digital will collect the PLICS datasets 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 the PLICS datasets 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 us at costing@improvement.nhs.uk

How we will use the PLICS datasets

PLICS datasets are created by NHS Digital at our request. NHS Digital collects the datasets from NHS providers, matches this dataset with the Hospital Episode Statistics (HES), adds key identifiers (to allow us to subsequently link this data with HES) and pseudonymises the data before providing it to NHS Improvement.

We intend to use the PLICS data in our pricing and other functions to:

- inform the national tariff
- produce and distribute patient-level data in NHS Improvement tools for use by NHS providers, eg national PLICS portal and PLICS data quality tool
- support efficiency and quality of care improvement programmes, eg Getting It Right First Time (GIRFT) and operational productivity in NHS providers

16 See Section 70 of the Health and Social Care Act 2012.
17 https://improvement.nhs.uk/resources/tools-for-using-costing-data/
18 http://gettingitrighthome.co.uk/
• inform and model new methods of pricing NHS services
• inform new approaches and other changes to currency design
• improve future cost collections
• inform the relationship between provider and patient characteristics and cost
• develop 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 PLICS data within NHS Improvement, we intend (subject to NHS Digital’s approval) to share pseudonymised 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: it supports the implementation of integrated care systems and additional functionality in new releases of our tools
• with DHSC, NHS England, NHS Digital and other organisations and individuals: it helps to:
  – identify operational and clinical efficiencies, eg NHS RightCare
  – provide comparative costs to support evaluation of new or innovative medical technologies
  – respond to NHS Improvement freedom of information requests and parliamentary questions
  – benchmark performance against other NHS and international providers
  – inform academic research.

**Patient-level costing as a mandated information standard**

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

Initially this will be for acute services and will then be expanded to other services as part of producing the cost collection guidance in the year of first PLICS submission.
For example, the information standard will be updated for ambulance services collection in 2020, for first submission for 2019/20 in 2020.

**Costing assurance programme**

The costing assurance programme (CAP) will continue to provide assurance on the accuracy of costing information and identify providers where additional support may be required. For information on the CAP and to keep up to date on findings from the programme, see our CAP website.

**Costing assessment tool**

The costing assessment tool (CAT) objectively assesses the quality of costing at each trust and the degree to which the costing standards have been implemented. We will collate the CAT tools submitted to us to produce dashboards for each trust. Trusts can use these to improve their costing, and we can identify trusts requiring extra support.
Appendix 1: Mandation timetable and high-level transition path

We have published a proposed costing mandation timeline, which identifies by trust type and type of activity when we expect to mandate the collection of patient-level costs. We have used the 2017/18 reference costs submission as the guide to identify when – subject to approval after completion of the impact assessment and consultation – trusts will be required to submit patient-level costs.

If you have any queries about the proposed timeline, please contact Donna Pannell at costing@improvement.nhs.uk.

Table 3 below provides a high-level analysis by type of trust\(^\text{19}\) of when patient-level cost information will be mandated.

Table 3: Mandation of patient-level costing by trusts and service – high-level assessment

<table>
<thead>
<tr>
<th>Type of provider</th>
<th>Acute services</th>
<th>Mental health services</th>
<th>Community services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acute trust with mental health and community services</td>
<td>2018/19</td>
<td>2019/20</td>
<td>2020/21 (subject to mandation review)</td>
</tr>
<tr>
<td>Acute trust with mental health services</td>
<td>2018/19</td>
<td>2019/20</td>
<td>N/A</td>
</tr>
<tr>
<td>Acute trust with community services</td>
<td>2018/19</td>
<td>N/A</td>
<td>2020/21 (subject to mandation review)</td>
</tr>
<tr>
<td>Mental health provider with acute and community services</td>
<td>2019/20</td>
<td>2019/20</td>
<td>2020/21 (subject to mandation review)</td>
</tr>
</tbody>
</table>

\(^{19}\) The main service is the largest service in accordance with the 2017/18 reference cost submission – see Appendix 2 for more details and mandation timetables; [https://improvement.nhs.uk/resources/reference-costs/](https://improvement.nhs.uk/resources/reference-costs/)
<table>
<thead>
<tr>
<th>Type of provider</th>
<th>Acute services</th>
<th>Mental health services</th>
<th>Community services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mental health provider with community services</td>
<td>N/A</td>
<td>2019/20</td>
<td>2020/21 (subject to mandation review)</td>
</tr>
<tr>
<td>Mental health provider with acute</td>
<td>2019/20</td>
<td>2019/20</td>
<td>N/A</td>
</tr>
<tr>
<td>Community provider with acute and mental health services</td>
<td>2020/21</td>
<td>2020/21</td>
<td>2020/21 (subject to mandation review)</td>
</tr>
<tr>
<td>Community provider with acute services</td>
<td>2020/21</td>
<td>N/A</td>
<td>2020/21 (subject to mandation review)</td>
</tr>
<tr>
<td>Community provider with mental health services</td>
<td>N/A</td>
<td>2020/21</td>
<td>2020/21 (subject to mandation review)</td>
</tr>
</tbody>
</table>

20 If a trust’s main service is community services, we will expect them to submit patient-level costs for non-community services in 2020/21 whether community services are mandated from that year or not.
As noted, patient-level costing is mandatory across all providers and services except for community services and trusts whose main service is community. To support trusts moving to patient-level costing, we have produced a transition pathway for all sections. This is designed to ensure that at a patient level, core costing processes and information dependencies are priorities, while recognising that certain elements of those standards are more challenging and require significant time.