There are a number of basic cost elements which must be considered:

1. Staff – clinical and non-clinical
2. Consumables – single-use items and reusable items which are reprocessed
3. Equipment – used to perform the procedure
4. Overhead – costs not directly associated with the procedure

**Cost Elements**

- Surgical consumables
- Anaesthetic consumables
- Pharmacy
- Recovery
- Linen
- Instruments

**Equipment/Consumable Flow**

- Booking
- Reorder
- Preference Card
- Reprocessing/waste
- Theatre

**Clinical Pathway**

- It helps to clearly identify the activities of the day surgery when allocating costs:
- Booking
- Records
- Admission
- Discharge
- PreOp
- Recovery
- Theatre

**Chart of Accounts**

- Staff Costs
- Equipment
- Services
- Payables
- Receivables

**Costing Methods**

1. **Standard Cost Accounting (SCA)** – Where we take the surgeon’s preference card and cost the typical quantities used for the procedure along with the typical time taken and a standard overhead charge. At the end of the accounting period – month/quarter/year – the standard costs of the procedures performed are compared with the actual costs associated with the period.

2. **Activity based costing (ABC)** – Where overhead costs are allocated to cases in a more logical manner than the traditional approach of simply allocating costs on the basis of the number of procedures. Activity based costing first assigns costs to the cases that are the real cause of the overhead. In a multispecialty centre the costs of cleaning and maintaining scopes would only be allocated to scope procedures, likewise pain management and orthopaedic procedures requiring the use of the image intensifier would be allocated those costs whilst all other procedures would not.

**Where to from here?**

Now that we have identified all of the cost elements its decision time. Time to determine the basis for allocation and allocate the costs. This can be as simple or as complex as you want to make it – remembering the underlying premise cost: benefit.

Here is an example of a simple costing system:

- Patient booking – 15 mins per patient @ nonclinical rate
- Patient admission – 15 mins per patient @ nonclinical rate
- PreOp – 20 mins per patient @ clinical rate
- Theatre – actual time x 3 (scrub, scout, anaes RN) @ clinical rate
- Recovery – actual time x 0.5 (1:1 in 1st stage, 1:4 in 2nd stage) @ clinical rate
- Discharge – 15 mins per patient @ clinical rate
- Records – 30 mins per patient @ nonclinical rate
- Surgical Consumables – actual cost
- Anaesthetic consumables – actual/STD cost
- Pharmacy – actual costs
- Recovery – STD cost unless incident then actual costs
- Linen – STD costs
- Instruments – CSSD Reprocessing STD charge plus depreciation amount
- Equipment – depreciation amount plus maintenance amount
- Overheads – STD cost based on minimum of 12 months operation

**Consumables**

These are items which are consumed during the case:

- Surgical consumables
- Anaesthetic consumables
- Pharmacy
- Recovery
- Linen
- Instruments

**Overhead**

- Premises (rent, electricity, telephone, internet)
- Insurances (general insurance, medical malpractice insurance)
- Depreciation/amortisation (plant and equipment)
- Compliance (accreditation/certification, licences)
- Maintenance (cleaning, preventative maintenance, security)
- Depreciation/amortisation (plant and equipment)
- Compliance (accreditation/certification, licences)

**What can I do with this data?**

Collecting this data -

- for a single case will allow you to compare the revenue to the cost
- for a whole list will allow for comparison of the list revenue to the list cost and rostered staff for the day to the list cost
- for a whole fortnight will allow for comparison of total staff costs to cost allocation and help identify areas of under utilisation
- for a whole month will allow for consumables used to be compared to the opening stock and closing stock balances
- identifies areas where costs have not been allocated,
- allows for comparisons between different surgeons performing the same procedures,
- allows for identification of hidden costs not allocated above.

**... and after that?**

If you find that useful – then you can move along the continuum and implement a costing system like Dox TMS which integrates with the patient administration system, the general ledger and the inventory control system, preference cards and the electronic medical records system to automate this whole process. Ask me about our Theatre Management System.