

Hospital, The Hospital Cost Allocation Tool: An Overview

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HOSPICAL

The Hospital Cost Allocation Tool, HOSPICAL, can help improve a hospital's performance and enhance its financial sustainability. Managers who use this practical tool will find it a tremendous aid in analyzing current costs and revenue and planning service improvements. The tool consists of an electronic spreadsheet file.

Who can use HOSPICAL?

- hospital managers and hospital department managers
- hospital financial officers, accountants, and outside auditors
- district and regional supervisors
- policymakers

What does HOSPICAL help managers to do?

- allocate resource costs to individual departments
- measure the performance of different wards and departments
- analyze costs of staff, drugs, and supplies
- compare revenue with costs overall and at the departmental level
- compare unit costs among hospitals
- identify high-performing hospitals and set standards

How does HOSPICAL work?

Hospital management and individual departments adjust the data entered to explore different cost and revenue options and make realistic plans to improve service quality, control costs, and use resources wisely.

Comparing HOSPICAL and CORE:

Both tools support decisions on expenses and revenue and help managers to project costs, budget, and plan different service scenarios. They differ in the following ways:

HOSPICAL:

- can handle the complexity of hospital costs
- begins with costs for all departments and uses a "top down" approach to determine an average unit cost for departments that provide principal patient care services
- managers do not specify inputs such as the supplies used in a surgical procedure

CORE:

- is for facilities with simpler cost structures such as a clinic or a hospital department
- uses a "bottom up" approach to build total facility costs by specifying the inputs used to deliver one unit of service and then multiplying these service costs by volume

Management Sciences for Health (MSH) is available to assist organizations to gain experience and skills in using the Hospital Cost Allocation Tool. To request these services and discuss possible funding sources, please contact MSH.