

4 Working towards service-line management: a toolkit for presenting operational service-line data

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Introduction

▶ Introduction

Appendices

About service-line management

Service-line management (SLM) is a combination of trusted management and business planning techniques that can improve the way healthcare is delivered. It was developed by Monitor for NHS foundation trusts, drawing on evidence from UK pilot sites and the experience of healthcare providers worldwide.

By identifying specialist areas and managing them as distinct operational units, SLM enables NHS foundation trusts to understand their performance and organise their services in a way which benefits patients and makes trusts more efficient. It also enables clinicians to take the lead on service development and drive improvements in patient care.

SLM provides the tools to help trusts identify and structure service-lines within their organisation, ensuring clear paths for decision making and accountability. It also builds a framework within which clinicians and managers can plan service activities, set objectives and targets, monitor their service's financial and operational activity and manage performance.

SLM relies on the production of timely, relevant information about each service-line, to enable analysis of the relationship between activity and expenditure for each service-line as well as showing how each service-line contributes to the overall performance of the trust. It also encourages ownership of budgets and performance at service-line level. The first step to achieving the necessary level of detail is the move to service-line reporting (SLR).

About this guide

This document describes a range of service-line reporting (SLR) tools and shows how they can be used to present data about the performance of service-lines in targeted, standardised and consistent formats to encourage insightful performance discussions and informed decision making.

Reliable financial information about service-lines needs to be in place in order to use these tools. A guide to the implementation of service-line financial reporting, *Guide to developing reliable financial data for service-line reporting: defining structures and establishing profitability*, is also available on Monitor's website, and implementation must be underway before this toolkit can be used. However, customisation of the different tools can begin before the work on financial reporting is completed.

The toolkit is made up of six analysis tools, each of which can be used independently or in various combinations to create a "toolkit journey".

For each tool, this guide explains

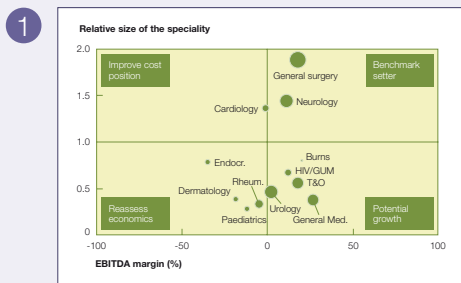
- its purpose
- how to discuss the reports generated;
- what action to take as a result of using the tool;
- implementation hints and tips;
- adapting the tool to suit trusts' needs;
- the different levels of analysis that can be undertaken; and
- examples of how the tools have been successfully used in pilot trusts.

In addition, there is a case study of how one trust harnessed the full power of the toolkit by developing a "toolkit journey" to gain a new and insightful understanding of their cost base. This illustrates the power of introducing these tools to drive decision-making.

An example workplan has been developed for implementing this toolkit. With the right management support and focus, this should take no more than two months, after which a trust's decision making abilities will be greatly enhanced.

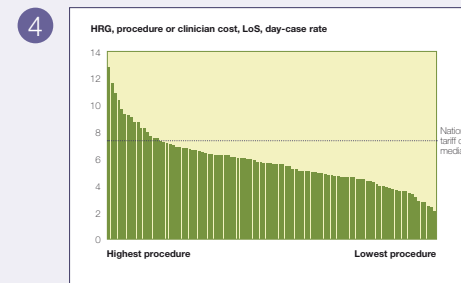
The toolkit consists of six standalone tools

They can be used independently or combined to create greater insight



Portfolio matrix

A portfolio analysis tool for priority setting and strategy development



Variance analysis

Ad hoc reports to identify outliers in performance. e.g. Length of stay (LoS), day-case rates, costs

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Category	Actual	Target	Variance	Actual	Target	Variance	Total costs	EBITDA	Margin
Cardiology	1,000,000	1,000,000	0	1,000,000	1,000,000	0	1,000,000	1,000,000	0%
Neurology	1,000,000	1,000,000	0	1,000,000	1,000,000	0	1,000,000	1,000,000	0%
General surgery	1,000,000	1,000,000	0	1,000,000	1,000,000	0	1,000,000	1,000,000	0%
Endoor.	1,000,000	1,000,000	0	1,000,000	1,000,000	0	1,000,000	1,000,000	0%
Burns	1,000,000	1,000,000	0	1,000,000	1,000,000	0	1,000,000	1,000,000	0%
HIW/GUM	1,000,000	1,000,000	0	1,000,000	1,000,000	0	1,000,000	1,000,000	0%
T&O	1,000,000	1,000,000	0	1,000,000	1,000,000	0	1,000,000	1,000,000	0%
Dermatology	1,000,000	1,000,000	0	1,000,000	1,000,000	0	1,000,000	1,000,000	0%
Rheum.	1,000,000	1,000,000	0	1,000,000	1,000,000	0	1,000,000	1,000,000	0%
Urology	1,000,000	1,000,000	0	1,000,000	1,000,000	0	1,000,000	1,000,000	0%
General Med.	1,000,000	1,000,000	0	1,000,000	1,000,000	0	1,000,000	1,000,000	0%
Paediatrics	1,000,000	1,000,000	0	1,000,000	1,000,000	0	1,000,000	1,000,000	0%
Other	1,000,000	1,000,000	0	1,000,000	1,000,000	0	1,000,000	1,000,000	0%
Total	10,000,000	10,000,000	0	10,000,000	10,000,000	0	10,000,000	10,000,000	0%

EBITDA table

A comparison table for key financial metrics

5

Cost Centre	Clinical personnel	Non-clinical personnel	Other personnel	Other personnel	Drug costs	Medical costs	Other medical supplies	Other	Facilities & material costs not included	Personnel & material costs not included
Ward										
Intensive care										
Dialysis										
Acute										
Delivery room										
Therapy										
Other direct										
Allied health-care										
Radiology										
Pathology										
Theatre										
Other CSS										

Cost matrix

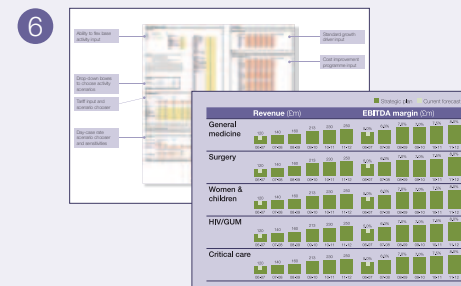
A detailed breakdown of costs by cost-line and cost-centre

3

Directorate I&E	Actual	Plan	Variance
Income			
• NHS income	62,000	65,000	-2,900
• RSD	8,000	8,000	0
• Training	3,000	3,000	0
• Other income	5,000	4,000	1,000
Total income	78,000	80,000	-1,950
Direct costs			
• Pay costs			
- Nursing	12,000	11,000	1,000
- Consultants	15,000	16,000	-1,000
- Other clinical	3,000	4,000	-1,000
- Non-clinical	8,000	7,500	500
• Non-pay costs			
- Drug costs	8,000	9,500	-1,500
- Supplies	4,000	3,500	500
- Other	800	1,200	-400
• Indirect costs			
- Pathology	1,000	2,000	-1,000
- Pathology	2,000	1,800	200
- Other services	2,000	2,500	-500
Total direct and indirect costs	56,000	56,000	-4,900
Contribution	22,000	24,000	-2,000
Contribution margin (%)	28%	30%	-2%
- Overhead costs	8,000	5,200	2,800
- Corporate costs	6,000	5,000	1,000
EBITDA	14,000	11,800	2,200
EBITDA margin (%)	18%	15%	3%
- Interest, depreciation and amortisation	5,000	5,000	0
Earnings	9,000	6,800	2,200
EBITDA margin (%)	12%	9%	3%

Detailed income and expenditure (I&E)

A detailed breakdown of income and expenditure for a directorate, service-line, point of delivery (POD) or healthcare resource group (HRG)

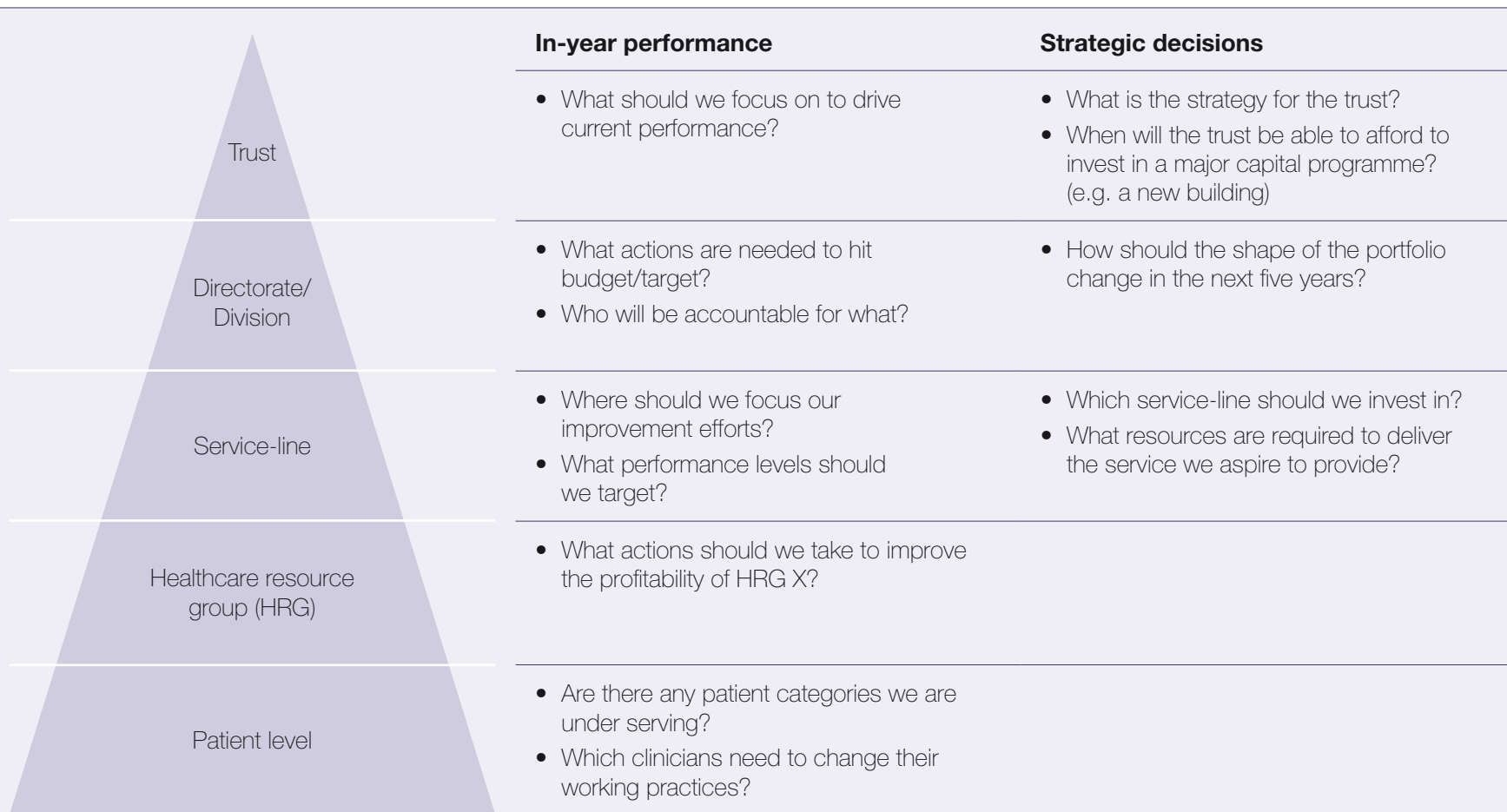


Forecast model

The population and use of a model to forecast five-year performance at the service-line and POD level. Used for sensitivity and 'what if?' analysis

Improving decision making

The tools will help create a structure in which the right decisions are made at the right level of the trust



Informing performance and strategy discussions

This toolkit will help boards, managers and clinicians to discuss in-year performance and long-term strategy constructively

	From	To
Clinicians	<ul style="list-style-type: none"> “Finance just don’t understand how important it is to add more staff” “All these targets about day-case rate and LoS are unrelated to anything for patients” 	<ul style="list-style-type: none"> “Adding another consultant will cost £X, but the extra volume will cover these costs and generate a contribution of £Y to the trust” “Driving up the day-case rate to X% has liberated enough cash for us to fund investment in additional imaging sessions to allow same day assessment for breast cancer”
Managers	<ul style="list-style-type: none"> “Our agency nursing costs have increased” “Our clinical supplies costs are under budget” 	<ul style="list-style-type: none"> “We’ve treated X% more patients than planned, which has caused higher usage of agency nurses” “Our case mix has changed and we are performing treatments that require less expensive supplies/devices”
Boards/CEOs	<ul style="list-style-type: none"> “We do not know which service-lines to focus on in order to achieve financial balance” 	<ul style="list-style-type: none"> “We need to invest in building cardiac referrals since this is our most profitable service and we can build distinctiveness in it” “We choose to maintain world-class liver facilities, even though we incur losses in more complicated procedures”

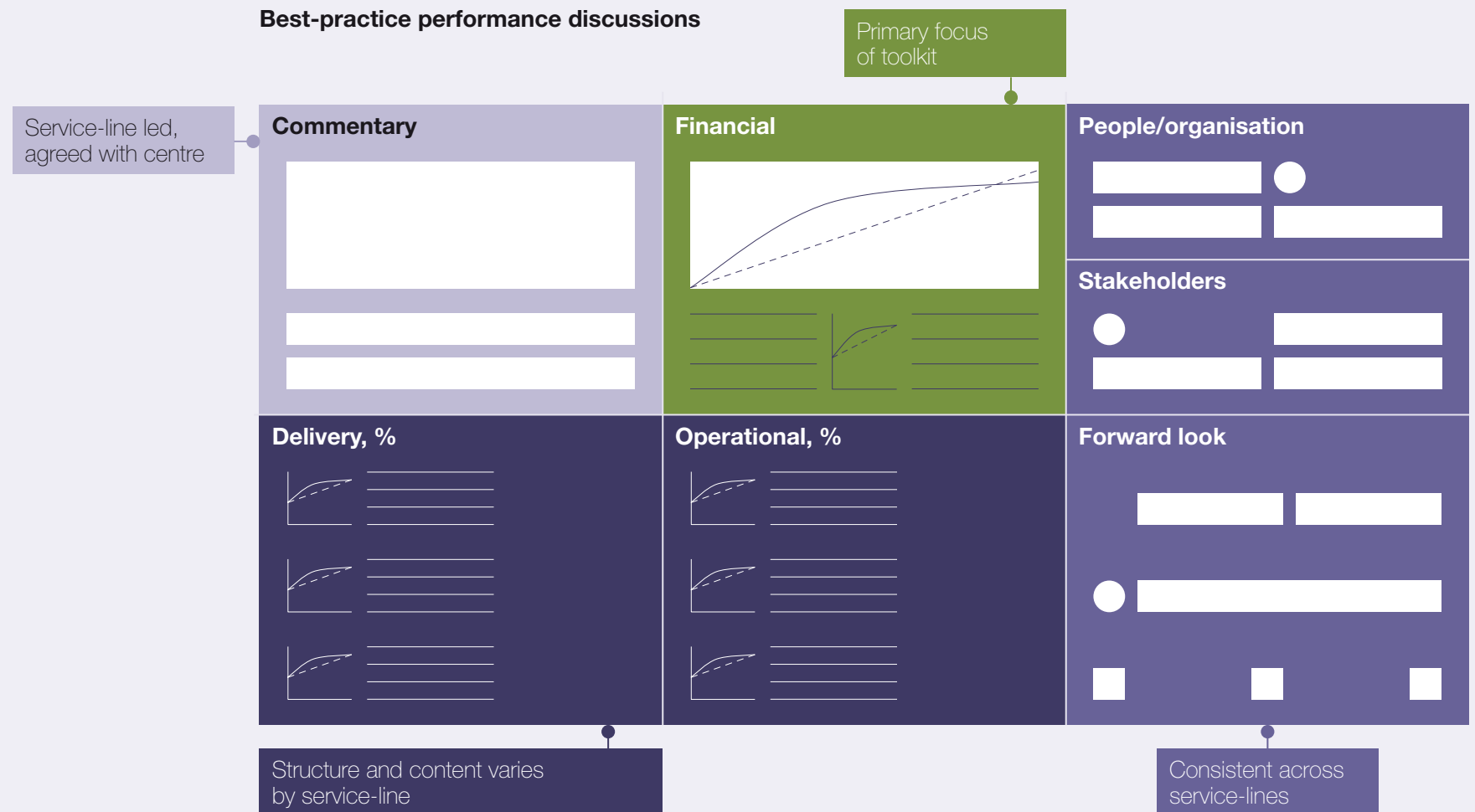
Four characteristics of effective performance reports

The tools encompass the following four key characteristics of effective performance reports:



Seeing financial data in a wider context

The toolkit is financially focused, but should be used within a wider performance context



Changing behaviour

In order for the tools to be used effectively, mindsets and capabilities need to be explicitly addressed

Culture and role models

'I see my superiors and colleagues behaving in a new way'

- The board and senior managers use SLR to ask questions and make key decisions
- The toolkit should be used at all levels in the organisation

Right people with right skills

'I have the necessary knowledge and skills to do my job well'

- Service-line leadership and organisation structure may need to be adjusted
- A training programme needs to be developed to roll out the toolkit

Understanding and conviction

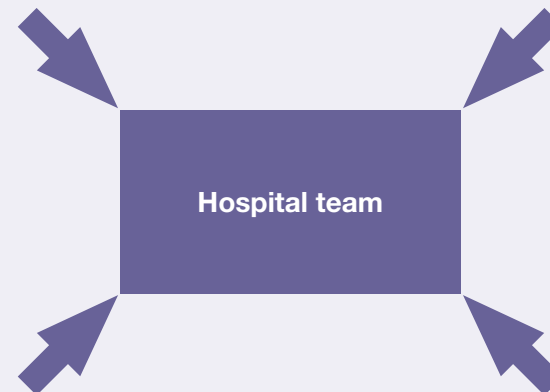
'I know what is expected of me and I agree with it'

- Develop and share the 'change-story': why you are introducing SLR
- Service-line managers may need to be reviewed

Systems and processes

'Structures, processes and systems drive and support the changes I need to make'

- Budget development and financial management processes will need to be revised
- Target levels of service-line performance should be agreed and written into contracts
- Performance should be tracked across a balanced set of measures



The six standalone tools

▶ The six standalone tools

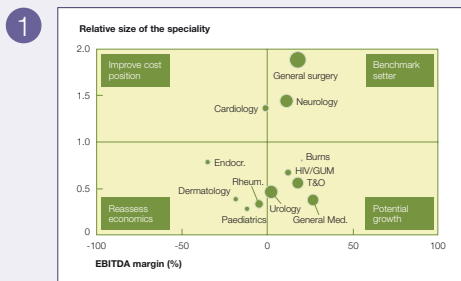
Appendices

This section provides detailed guidance on the tools and their implementation

Description of each tool		<ul style="list-style-type: none">• In-depth description of each tool• Examples of how it was successfully used in the pilot trusts
Example 'toolkit journey'		<ul style="list-style-type: none">• Case study of how one trust harnessed the toolkit to achieve a new and insightful understanding of their cost base
Implementation plan		<ul style="list-style-type: none">• An example workplan has been developed for implementing this SLR toolkit in your trust
Appendices		<ul style="list-style-type: none">• Glossary of terms• Guide to the forecast model• Sample reports

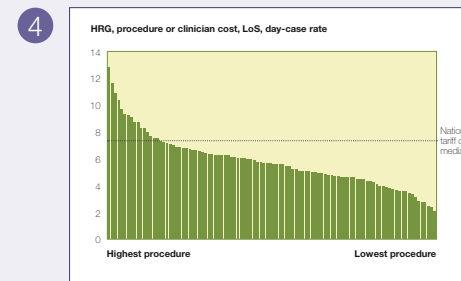
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Portfolio matrix

A portfolio analysis tool for priority setting and strategy development



Variance analysis

Ad hoc reports to identify outliers in performance (e.g. Length of stay (LoS), day-case rates, costs)

2

Speciality	Revenue	Costs	EBITDA	Margin
Cardiology	1,000,000	600,000	400,000	40%
General surgery	1,500,000	900,000	600,000	40%
Neurology	1,200,000	700,000	500,000	42%
Cardiology	800,000	500,000	300,000	38%
Burns	500,000	300,000	200,000	40%
HIV/GUM	300,000	150,000	150,000	50%
T&O	200,000	100,000	100,000	50%
General Med.	1,000,000	700,000	300,000	30%
Urology	400,000	250,000	150,000	38%
Paediatrics	300,000	180,000	120,000	40%
Dermatology	200,000	100,000	100,000	50%
Rheum	150,000	75,000	75,000	50%
Endoor	100,000	50,000	50,000	50%
Paediatrics	200,000	100,000	100,000	50%
Total	10,000,000	6,000,000	4,000,000	40%

EBITDA table

A comparison table for key financial metrics

5

Cost centre	Clinical personnel	Nursing personnel	Allied healthcare personnel	Other personnel costs	Drug costs	Material costs	Other medical supplies	Other	Personnel & material costs not allocated	Personnel & material costs allocated
Ward										
Intensive care										
Dialysis										
Dialysis										
Anaesth.										
Delivery room										
Therapy										
Other direct										
Allied health care										
Radiology										
Pathology										
Theatre										
Other CSS										

Cost matrix

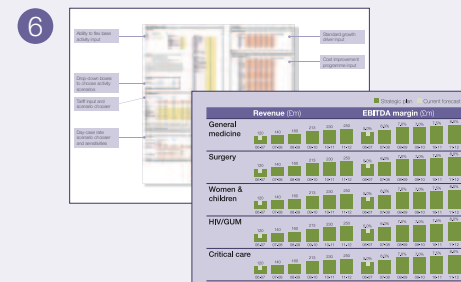
A detailed breakdown of costs by cost-line and cost-centre

3

Directorate I&E	Actual	Plan	Variance
Income			
• NHS income	82,000	82,000	-2,500
• F&D	8,000	8,000	0
• Training	3,000	3,000	0
• Other income	8,000	4,000	1,000
Total income	100,000	97,000	-3,000
Direct costs			
• Pay costs			
- Nursing	12,000	11,000	1,000
- Consultants	15,000	16,000	-1,000
- Other clinical	3,000	4,000	-1,000
- Non-clinical	8,000	7,500	500
• Non-pay costs			
- Drug costs	8,000	9,500	-1,500
- Supplies	4,000	3,500	500
- Other	800	1,200	-400
• Indirect costs			
- Radiology	1,500	2,000	-500
- Pathology	2,000	1,800	200
- Other services	2,000	2,000	0
Total direct and indirect costs	46,300	56,300	-10,000
Contribution	53,700	40,700	13,000
Contribution margin (%)	53.7%	42.0%	11.7%
- Overhead costs	5,000	5,250	-250
- Corporate costs	6,000	5,000	1,000
EBITDA	42,700	30,450	12,250
EBITDA margin (%)	42.7%	31.4%	11.3%
- Interest, depreciation and amortisation	5,000	5,000	0
Earnings	37,700	25,450	12,250
EBITDA margin (%)	37.7%	26.2%	11.5%

Detailed income and expenditure (I&E)

A detailed breakdown of income and expenditure for a directorate, service-line, point of delivery (POD) or healthcare resource group (HRG)



Forecast model

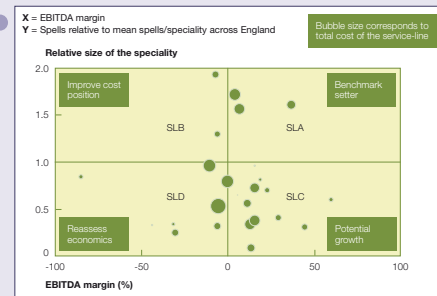
The population and use of a model to forecast five-year performance at the service-line and POD level. Used for sensitivity and 'what if?' analysis

Each tool is presented on two pages – the first page provides guidance on how to introduce it...

Tool 1: Portfolio matrix

Picture of report generated

- Ways in which the report could be customised by your trust
- Indication if patient-level data is needed



Possible customisation

- Use contribution or net income instead of EBITDA
- Show changes over time

Levels of analysis



16

Purpose of using this tool

- Identify priority areas for further work and/or analysis
- Inform long-term portfolio management decisions (e.g. growth, capital allocation)

How to talk to this tool

- Explain how each axis is derived and the meaning of the size of the bubble
- Bring the chart to life by talking about an example service-line in each quadrant

What to do after using this tool

- Decide which service-lines require further analysis
- Agree which tools will be used next

Hints and tips

- Stress that decisions are not made based on which quadrant a service-line is in. It is just the start of a conversation
- Ask the audience if there are any surprises
- The discussion is likely to focus on service-lines in the bottom left quadrant. Therefore, make sure you are ready to talk about these in advance and have additional data ready if needed

Description of why you would use this tool

How to introduce the tool for the first time in a meeting

- Typical decisions that might be made
- Follow up analysis

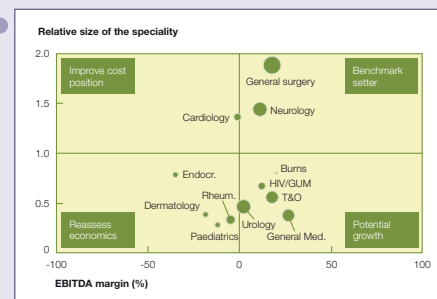
Shaded boxes show the levels of analysis possible. All reports can also be analysed by POD, so this is not shown visually.

- Additional hints and tips to help ensure the discussion goes well
- This section is based on experiences from the pilots

...the second page describes an example of how it was successfully used in a pilot trust

Tool 1: Portfolio matrix – example from pilots

Picture of report generated



The way in which this report was customised by the pilot trust

- Customisation**
- Used peer group rather than all UK hospitals to compare size of speciality. Peer groups may be
 - Trusts within same geographical proximity
 - Similar type of trusts (district general hospital vs. university hospital)

Levels of analysis



17 Sanitised trust data

Application

- Board and service-line strategy discussions
- Prioritisation of areas for growth and cost improvements

Insights gained

- Clarified which service-lines generate a surplus or deficit
- Identified subscale service-line that may struggle to generate a positive contribution

Decisions made

- Further analysis of outliers to understand reasons for high or low profitability
- Review of allocation methodology to ensure that results are robust

Quotes from discussions

- 'This is the right starting point for a strategic board-level discussion'
- 'Today most service-lines think they are among the best in class. This makes it painfully obvious who are not'
- 'This should also capture our strategic direction – which services we will grow or reduce exposure to'

When this report was used

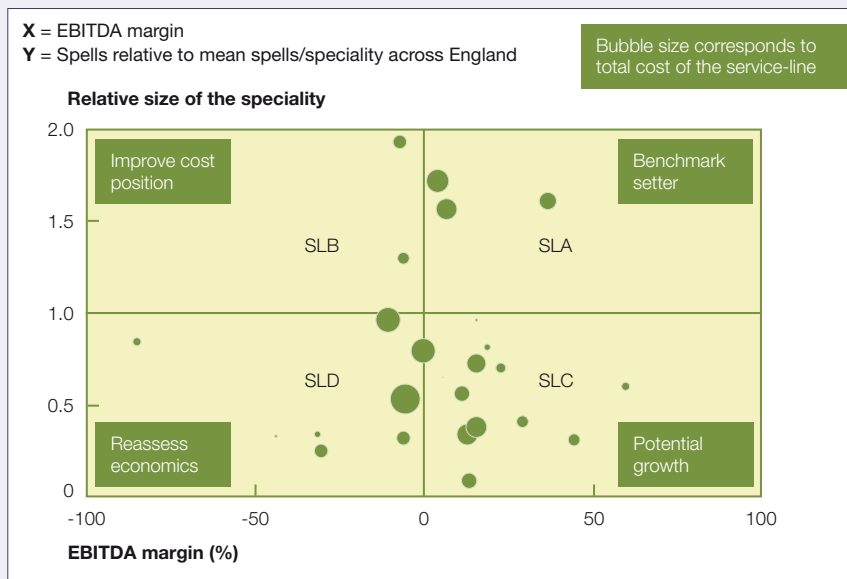
Insights derived from the report pictured when it was used at a specific pilot site

Summary of the decisions made as a result of discussing this report

The shaded box shows the actual level of analysis. Pilots repeated each tool at multiple levels, but only one example is shown

Quotes from discussions of this tool at the pilot sites

Tool 1: Portfolio matrix



Purpose of using this tool

- Identify priority areas for further work and/or analysis
- Inform long-term portfolio management decisions (e.g. growth, capital allocation)

How to talk to this tool

- Explain how each axis is derived and the meaning of the size of the bubble
- Bring the chart to life by talking about an example service-line in each quadrant

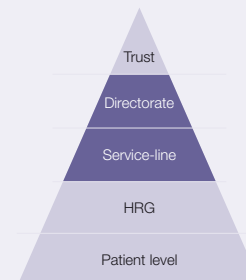
What to do after using this tool

- Decide which service-lines require further analysis
- Agree which tools will be used next

Possible customisation

- Use contribution or net income instead of EBITDA
- Show changes over time

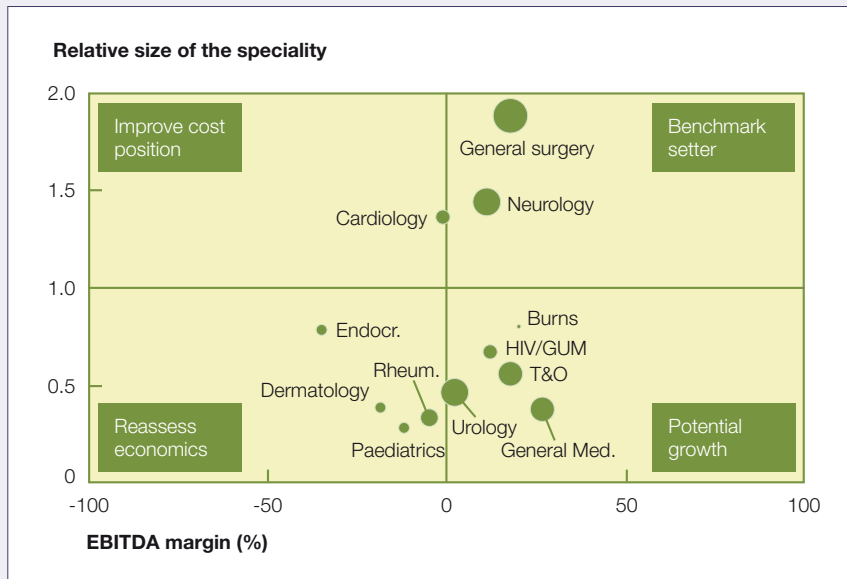
Levels of analysis



Hints and tips

- Stress that decisions are not made based on which quadrant a service-line is in. It is just the start of a conversation
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Tool 1: Portfolio matrix – example from pilots



Application

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Insights gained

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- Identified subscale service-line that may struggle to generate a positive contribution

Decisions made

- Further analysis of outliers to understand reasons for high or low profitability
- Review of allocation methodology to ensure that results are robust

Customisation

- Used peer group rather than all UK hospitals to compare size of speciality. Peer groups may be:
 - Trusts within same geographical proximity
 - Similar type of trusts (district general hospital vs. university hospital)

Levels of analysis



Quotes from discussions

- 'This is the right starting point for a strategic board-level discussion'
- 'Today most service-lines think they are among the best in class. This makes it painfully obvious who are not'
- 'This should also capture our strategic direction – which services we will grow or reduce exposure to'

Tool 2: EBITDA table

Service-line	Number of spells/bed-days	Number of out-patients	Costs			Total EBITDA £000s	EBITDA margin %	% change in activity
			Revenue £000s	Direct £000s	Indirect £000s			
ITU	x	x	x	x	x	x	x	
Pain manag.	x	x	x	x	x	x	x	
Palliative med.	x	x	x	x	x	x	x	
GUM	x	x	x	x	x	x	x	
HIV	x	x	x	x	x	x	x	
A&E	x	x	x	x	x	x	x	
Cardiology	x	x	x	x	x	x	x	
Care of the elderly	x	x	x	x	x	x	x	
Clinical haematology	x	x	x	x	x	x	x	
Dermatology	x	x	x	x	x	x	x	
Endocrinology	x	x	x	x	x	x	x	
Gastroenterol.	x	x	x	x	x	x	x	
Medical oncology	x	x	x	x	x	x	x	
Neurology	x	x	x	x	x	x	x	
Rheumatology	x	x	x	x	x	x	x	
Thoracic med.	x	x	x	x	x	x	x	
Burns	x	x	x	x	x	x	x	
Gen. surgery	x	x	x	x	x	x	x	
Ophthalmology	x	x	x	x	x	x	x	
Plastics	x	x	x	x	x	x	x	
T&O	x	x	x	x	x	x	x	
Urology	x	x	x	x	x	x	x	
All paediatrics	x	x	x	x	x	x	x	
Gynaecology	x	x	x	x	x	x	x	
Obstetrics	x	x	x	x	x	x	x	

Possible customisation

- Show additional changes over time and/or forecasts
- Include variance against plan
- Break down revenue and costs at a lower level of detail

Levels of analysis



Purpose of using this tool

- Identify differing performance between service-lines
- Uncover drivers of variance in performance
- Complement the portfolio matrix

How to talk to this tool

- At the start of the conversation, make sure everyone in the room is comfortable with the definitions used
- Try to keep the debate focussed on outliers of performance rather than talking about every number on the page

What to do after using this tool

- Decide which service-lines require further analysis
- Agree which tools will be used next

Hints and tips

- Know your audience – work out in advance what they are likely to be interested in, and customise the table for them (i.e. in-year performance, comparisons against plan and/or changes over time)
- Circulate the tables beforehand and ask people to come to the meeting with questions
- Order the table by EBITDA margin to make it easier to pick out outliers in performance

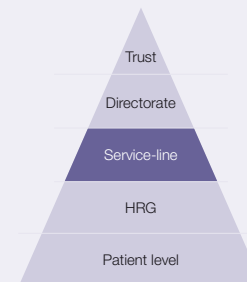
Tool 2: EBITDA table – example from pilots

Speciality	Activity		Total income	Costs			Total costs	EBITDA	EBITDA margin (%)
	Number of spells	Number of outpatients		Direct	Indirect	Overheads			
Urology	3,000		300,000	71,000	61,000	37,000	200,000	200,000	67
Clinical Haematology		5,000	1,600,000	300,000	300,000	200,000	700,000	900,000	56
Physiotherapy-led OP Clinics			400,000	35,000	100,000	52,000	200,000	200,000	50
Neurology		4,000	1,100,000	200,000	200,000	100,000	500,000	500,000	45
Obstetrics			5,000,000				3,100,000	1,800,000	36
General Surgery		1,500,000	7,900,000	4,100,000	46,000	1,200,000	5,300,000	2,600,000	33
Community Dentistry	4,000		10,000,000	3,300,000	2,100,000	1,500,000	7,000,000	3,000,000	30
Elderly Care		30,000	700,000	300,000	100,000	100,000	500,000	200,000	29
Cardiology		7,000	900,000	200,000	300,000	100,000	600,000	200,000	22
Clinical Oncology	2,000	5,000	7,000,000	3,100,000	1,200,000	1,200,000	5,500,000	1,500,000	21
Private Patients	5,000		17,500,000	5,600,000	5,300,000	3,100,000	14,000,000	3,600,000	21
Orthopaedics	10,000		17,800,000	5,000,000	6,400,000	3,200,000	14,500,000	3,200,000	18
GP Direct Access	4,000		8,900,000	3,800,000	1,900,000	1,600,000	7,300,000	1,600,000	18
Cystic Fibrosis	2,000		4,300,000	1,500,000	1,600,000	800,000	3,900,000	500,000	12
SCBU – Special Care			900,000				800,000	93,000	10
High Dependency Unit	3,000		5,700,000	2,200,000	1,900,000	1,200,000	5,300,000	400,000	7
Pediatrics		1,000	100,000	46,000	40,000	24,000	100,000	6,000	6
A&E Attenders	2,000		7,200,000	3,400,000	1,900,000	1,500,000	6,800,000	400,000	6
Ophthalmology	3,000		3,000,000	1,600,000	700,000	600,000	2,900,000	95,000	3
Thoracic Medicine	2,000		1,900,000	1,200,000	300,000	400,000	1,900,000	49,000	3
General Medicine	1,000		1,500,000	800,000	400,000	300,000	1,500,000	35,000	2
Audiological Medicine	3,000		5,200,000	2,200,000	1,800,000	1,100,000	5,100,000	90,000	2
Medical Oncology	92,000		15,200,000	7,600,000	4,300,000	3,400,000	15,300,000	-82,000	-1
ENT		1,000	98,000	53,000	28,000	25,000	100,000	-6,000	-6
Genito Urinary Medicine			600,000	500,000	43,000	200,000	700,000	-59,000	-10
Gynaecology	2,000		3,600,000	2,500,000	600,000	900,000	4,000,000	-388,000	-11
Anaesthetics	2,000		6,500,000	4,100,000	1,500,000	1,600,000	7,200,000	-703,000	-11
Clinical Immunology		1,000	100,000	55,000	53,000	30,000	100,000	-11,000	-11
Patient Appliances/Orthotics	4,000		5,200,000	1,900,000	2,600,000	1,300,000	5,800,000	-633,000	-12
Ophthalmology	1,000		1,100,000	900,000	100,000	300,000	1,300,000	-239,000	-22
Rheumatology		6,000	800,000	600,000	300,000	300,000	1,200,000	-333,000	-42
Dermatology		1,000	51,000	22,000	35,000	16,000	74,000	-22,000	-43
Anti-Coagulant Clinic	4,000		1,800,000	2,000,000	86,000	600,000	2,700,000	-859,000	-48
Chemical Pathology	2,000		2,800,000	2,800,000	600,000	1,000,000	4,400,000	-1,569,000	-56
Training and Teaching		1,000	100,000	40,000	100,000	41,000	200,000	-80,000	-80
R&D			3,000				23,000	-20,000	
Grand Total	200,000	1,800,000	146,900,000	65,800,000	37,600,000	29,100,000	136,400,000	10,400,000	7

Customisation

- Private patients, teaching, training and R&D are treated as separate specialties
- Did not look at historical information

Levels of analysis



Application

- Discussions within the finance team before sending out to a wider audience

Insights gained

- Identification of the specialties which are profitable
- Realisation that there were 14 specialties which were loss making

Decisions made

- Conduct a finer analysis of loss-making specialties
- Explore whether surgical specialties are being allocated more than their fair share of revenues

Quotes from discussions

- 'I didn't realise this specialty was losing money – and it's only going to get worse as we expand. We should definitely keep this in mind in our discussions with PCTs'
- 'A&E is growing – we need to focus on this to make it as profitable as we can'

Tool 3: Detailed income and expenditure

Directorate, Service-line, POD or HRG	Actual	Plan	Variance	Commentary
Income				
• Tariff income	x	x	x	-
• Non-tariff income	x	x	x	-
• Non-NHS clinical income	x	x	x	-
• Other income	x	x	x	-
Total income	x	x	x	-
Direct costs				
• Direct pay costs				
– Nursing	x	x	x	-
– Consultants	x	x	x	-
– Other clinical	x	x	x	-
– Non-clinical	x	x	x	-
• Non-pay costs				
– Drug costs	x	x	x	-
– Supplies	x	x	x	-
– Other direct costs	x	x	x	-
Indirect costs				
– Allied healthcare professionals	x	x	x	-
– Radiology	x	x	x	-
– Pathology	x	x	x	-
– Theatre	x	x	x	-
– Other services	x	x	x	-
Total direct and indirect costs	x	x	x	-
Contribution	x	x	x	-
Contribution margin (%)	x	x	x	-
Overhead costs				
• Site costs	x	x	x	-
• Corporate costs	x	x	x	-
EBITDA	x	x	x	-
EBITDA margin (%)	x	x	x	-
Interest, depreciation and amortisation	x	x	x	-
Earnings	x	x	x	-

Purpose of using this tool

- Understand reasons behind variance against plan
- Identify areas for improvement
- Enhance understanding of the key drivers of EBITDA performance

How to talk to this tool

- Begin by ensuring that the definitions of each of the cost lines are understood
- Ideally, the general manager or lead clinician should be leading this discussion

What to do after using this tool

- Identify areas for further analysis
- Agree frequency at which you will review these reports

Possible customisation

- Compare over different time periods (e.g. previous year)
- Break down costs and revenue differently and/or to greater degree

Levels of analysis



Hints and tips

- Getting general managers and clinicians to jointly fill out the commentary section prior to the meeting will greatly enhance the quality of the discussion
- Be sure that you know where non-PbR costs and revenues sit (e.g. R&D, training, private patients)

Tool 3: Detailed income and expenditure – example from pilots

Directorate I&E	Actual	Plan	Variance
Income			
• NHS income	62,500	65,000	-2,500
• R&D	8,000	8,000	0
• Training	3,000	3,000	0
• Other income	5,000	4,000	1,000
Total income	78,500	80,000	-1,500
Direct costs			
• Pay costs			
– Nursing	12,000	11,000	1,000
– Consultants	15,000	16,000	-1,000
– Other clinical	3,000	4,000	-1,000
– Non-clinical	8,000	7,500	500
• Non-pay costs			
– Drug costs	8,000	9,500	-1,500
– Supplies	4,000	3,500	500
– Other	800	1,200	-400
• Indirect costs			
– Radiology	1,500	2,000	-500
– Pathology	2,000	1,800	200
– Other services	2,000	2,200	-200
Total direct and indirect costs	56,300	58,700	-2,400
Contribution	22,200	21,300	900
Contribution margin (%)	28%	27%	2%
– Overhead costs	5,000	5,250	-250
– Corporate costs	6,000	5,000	1,000
EBITDA	11,200	11,050	150
EBITDA margin (%)	14%	14%	0%
– Interest, depreciation and amortisation	5,000	5,000	0
Earnings	6,200	6,050	150
EBITDA margin (%)	8%	8%	0%

Application

- Will be used in the future as the basis for budgeting and planning

Insights gained

- Nursing costs are above plan despite activity being lower than expected
- Large variances in drug costs have helped contribution remain above plan, but it is not known why this favourable variance has occurred

Decisions made

- Review of drivers behind variances, particularly in NHS income, nursing and drug costs
- Repeat analysis for each service-line

Customisation

- Separated out corporate and overhead costs to increase the focus on economising space
- Broke out R&D and training from clinical activity

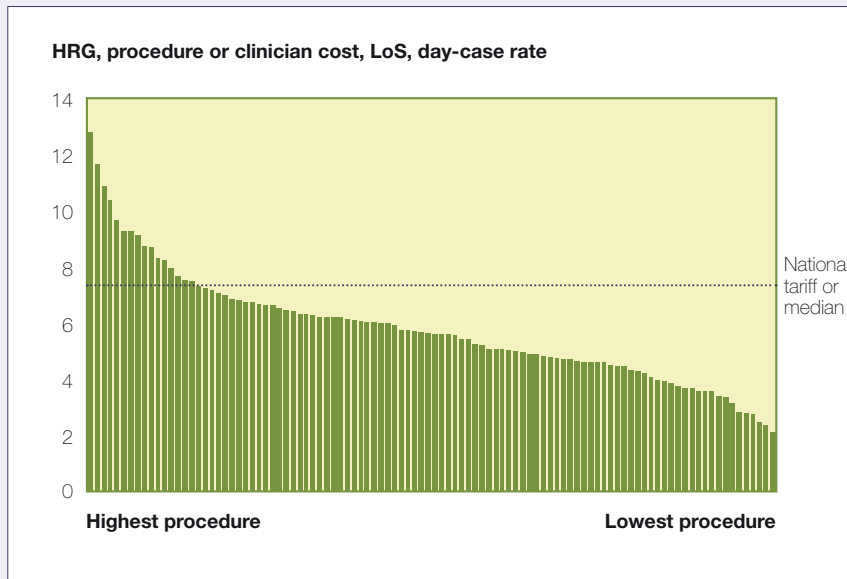
Levels of analysis



Quotes from discussions

- 'The more understanding of variance vs. plan the better... I want this weekly'
- 'We have never had this level of transparency – this would enable us to act as a business'
- 'This would enable me to communicate with clinicians how we perform as a service-line'

Tool 4: Variance analysis



Purpose of using this tool

- Identify outlying HRGs, procedures or clinical practices
- Understand reasons for variance
- Identify ways to reduce this variance

How to talk to this tool

- Begin by explaining why you have undertaken this analysis
- Use this tool as a jumping-off point for more detailed analysis rather than a standalone discussion

What to do after using this tool

- Look at the causes behind variances by examining individual procedures

Possible customisation

- Customise for HRG, procedure or clinician
- Produce for various metrics such as cost, average length of stay (ALoS) or day-case rate

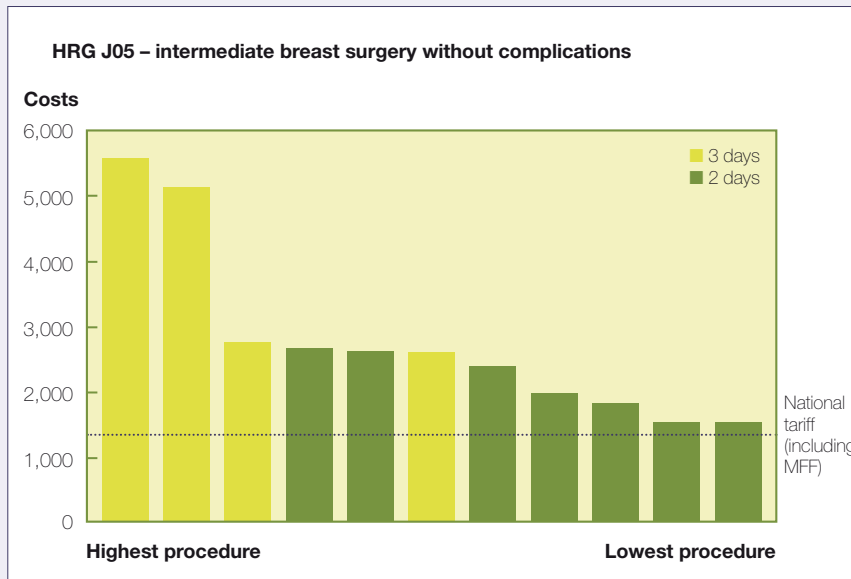
Levels of analysis



Hints and tips

- Be sure to acknowledge that some variance is to be expected and that there may be very good reasons for it (e.g. clinical necessity, coding errors)
- Highlight areas you would like to talk about by using different coloured bars
- If you are discussing individual clinician performance, make sure you do not sound confrontational

Tool 4: Variance analysis – example from pilots



Application

- Detailed discussion of the profitability of an individual HRG

Insights gained

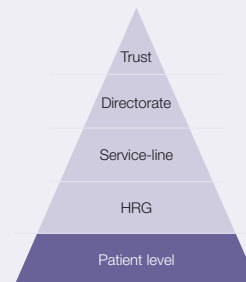
- This HRG is always unprofitable at these lengths of stay
- Costs for individual procedures vary greatly despite having the same length of stay

Decisions made

- Review individual cases to understand what was driving these differences in costs and whether there were any coding errors
- Explore the drivers of cost in more detail to understand how, even with the same length of stay, there was more than a two-fold variance in costs

Customisation Levels of analysis

- Colours to highlight different lengths of stay



Quotes from discussions

- 'We have undertaken analysis in the past using Dr Foster on LoS which proved very useful. But doing this on costs brings totally different insights'
- 'This only works if you have a degree of control over the reasons behind the variances, this isn't always the case. We need to understand this better'
- 'Can this really be costs for the same HRG? Perhaps there are coding issues? We need to do some more analysis on this'

Tool 5: Cost matrix

Cost centre	Clinical personnel	Nursing personnel	Allied healthcare profess. personnel	Other personnel costs	Drug costs	Material costs	Other medical supplies	Other	Personnel & material costs med. infrastruct.	Personnel & material costs non-med. infrastruct.
Ward										
Intensive care										
Dialysis										
Anaesth.				Direct costs						
Delivery room										
Therapy										
Other direct									Corporate support and site costs	
Allied health-care										
Radiolo.										
Patholo.			Clinical support services							
Theatres										
Other CSS										

Purpose of using this tool

- Identify the key underlying drivers of costs
- Help to understand the reasons behind variances in costs for the same HRG with the same LoS
- Identify areas for improvement

How to talk to this tool

- Start by explaining how the matrix combines cost lines and cost centres
- Circulate matrices beforehand and/or give people time to look at the charts before discussing implications
- Do not go through each number, but highlight the key areas for discussion

What to do after using this tool

- Identify areas for improvement and develop plans

Hints and tips

- Before sharing this analysis, be sure you can explain what allocation rules have been used to derive each number on the matrix
- Make sure the cost centres mirror your organisation's design

Possible customisation

- Compare over different time periods (e.g. previous year)
- Break down costs and revenue differently and/or at a greater level of detail

Levels of analysis



Tool 5: Cost matrix – example from pilots

Intermediate breast surgery without complications															
Patient 1	Salaries and wages						Non pay								
	Nurse	Medical	Medical tech	Allied health	Admin	Other	Blood	Drugs	Path	Prosthe-sis	Medical supplies	Hotel	Overhead	Capital charge	Total
	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£
Direct costs	150	70			15	5		5			10	20	150	50	470
Allied health				20											20
Pathology				4			50		100		50		10		214
Radiology															
Theatres	250	150	40					20	5		10	5	100	30	610
Overhead															
Other indirect costs															
Total	400	220	40	24	15	5	50	25	105		70	25	260	80	1,314
	OP Mins		Anaesthetic Mins		Recover Mins		Time on ward (days)								
	25		40		50		1.2								

Insights gained

- Understanding of the magnitude of different costs for this procedure
- Identification of the importance of theatre time as a driver of costs

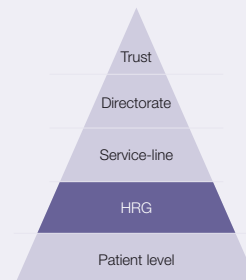
Decisions made

- Review of theatre productivity
- Investigate coding accuracy

Customisation

- Broke down cost base so better aligned with internal structure
- Included operational data on the time in theatre and wards

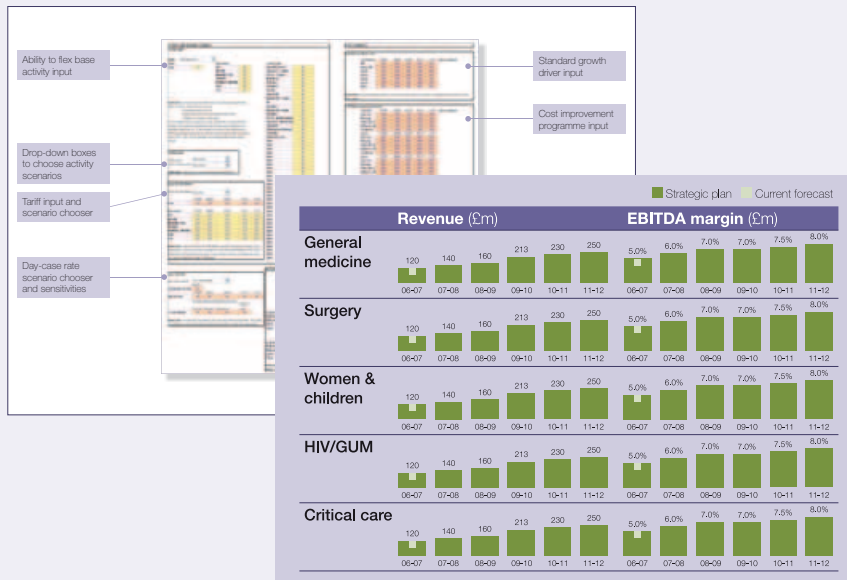
Levels of analysis



Quotes from discussions

- 'This level of information has never been available before. It would be great if we had this'
- 'At last I will be able to understand what is truly driving my costs'

Tool 6: Forecast model



Purpose of using this tool

- Produce five-year forecasts and facilitate sensitivity and 'what if' analysis
- Generate the data needed to populate reports from other tools with forecast data
- Forecast implications of the strategic plan

How to talk to this tool

- Explain rationale behind the forecast
- Focus on input needed from each directorate and/or assumptions for sensitivities

What to do after using this tool

- Adjust strategic plan based on this analysis
- Follow up with directorates to develop detailed plans for the coming year

Possible customisation

- This model is an example of the type needed. You may already have a tool you would prefer to use or wish to develop one of your own
- The model is designed to allow increased customisation as the user's knowledge increases

Levels of analysis

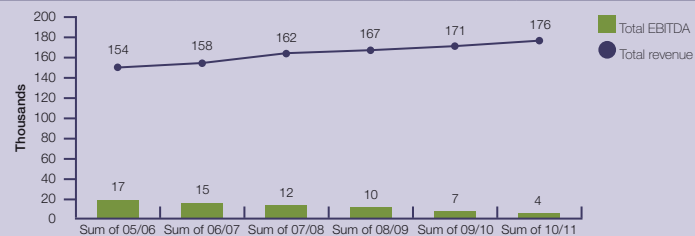


Hints and tips

- Read Appendix B – Guide to the forecast model before using the model provided
- One person needs to ensure that all input and assumptions are clearly catalogued
- Be vigilant with version control to ensure that you can keep track of different scenarios
- Set up a base scenario which you can revert to easily once sensitivities have been run

Tool 6: Forecast model – example from pilots

Data						
P&L 2	Sum of 05/06	Sum of 06/07	Sum of 07/08	Sum of 08/09	Sum of 09/10	Sum of 10/11
Spell	1,733,653	1,785,633	1,839,232	1,894,409	1,951,242	2,009,779
PbR Revenue	135,821	139,896	144,092	148,415	152,868	157,454
Other revenue	18,227	18,227	18,227	18,227	18,227	18,227
Total revenue	154,048	158,123	162,319	166,642	171,095	175,681
Pay cost	(67,384)	(70,754)	(74,291)	(78,006)	(81,906)	(86,002)
Non-pay	(2,393)	(2,489)	2,589)	(2,692)	(2,800)	(2,912)
Other direct	0	0	0	0	0	0
Indirect costs	(45,971)	(47,810)	(49,722)	(51,711)	(53,779)	(55,931)
Overhead	(21,133)	(22,190)	(23,299)	(24,464)	(25,688)	(26,972)
Total costs	(136,882)	(143,242)	(149,901)	(156,873)	(164,173)	(171,816)
Total contribution	38,299	37,070	35,717	34,233	32,609	30,837
Contribution margin (%)	25%	23%	22%	21%	19%	18%
Total EBITDA	17,166	14,880	12,418	9,769	6,922	3,865
EBITDA margin (%)	11%	9%	8%	6%	4%	2%



Customisation

- Forecast based on 2005/2006 data
- Historical trends for comparison

Levels of analysis



Application

- Used 2005/2006 data to forecast at the service-line level for five years

Insights gained

- The trust lacks reliable cost driver data

Decisions made

- Increase quality of data around current income and cost
- Consider whether renewing certain local price contracts is feasible given predictions of cost increases

Quotes from discussions

- 'I like the day-case rate variability – it's not something we had modelled before'
- 'I'm not sure we would use all the bespoke elements, but it's good to have the option of using them in some specialties'

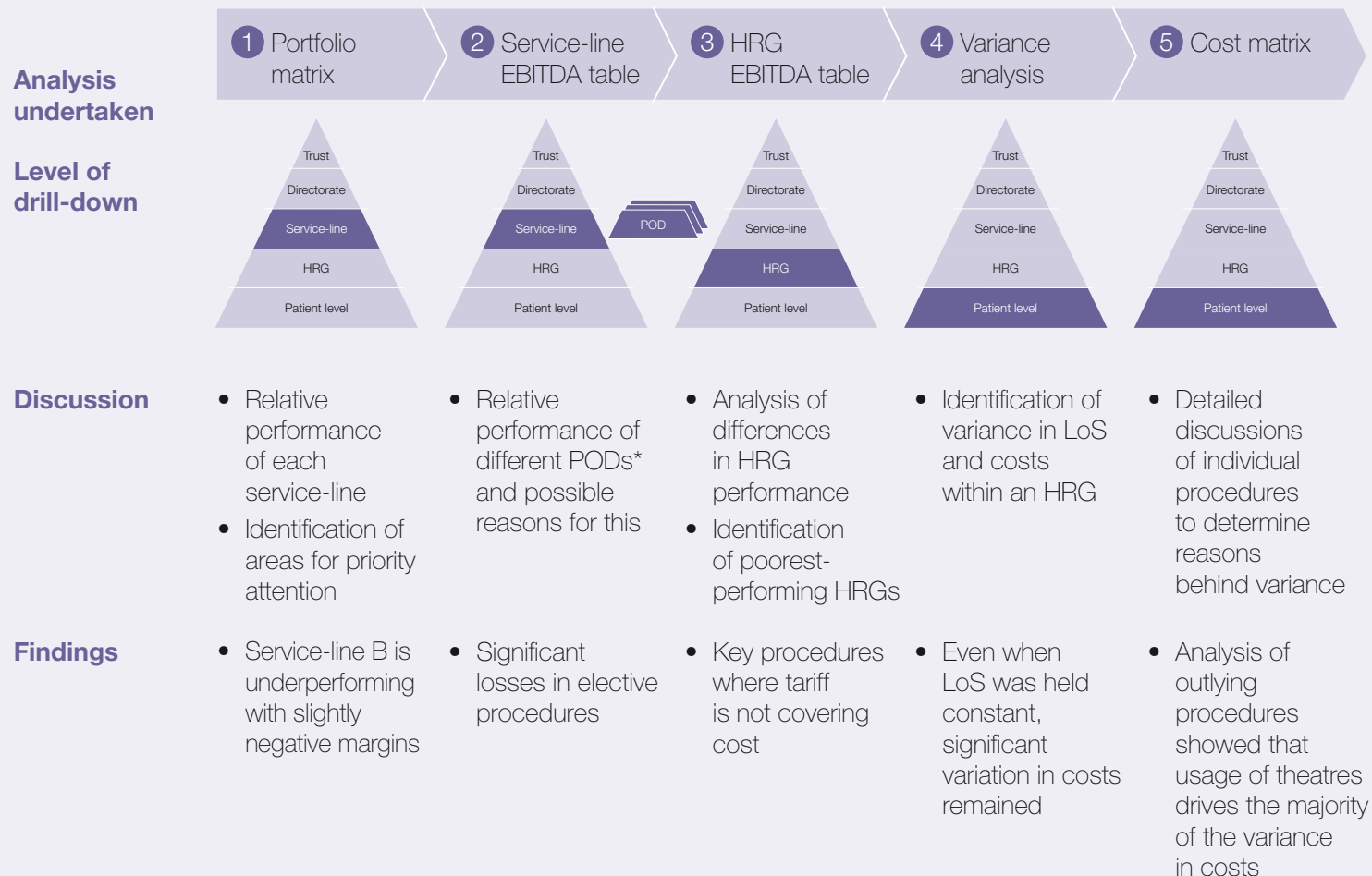
Example use of toolkit

▶ Example use of toolkit

Appendices

An example of the “toolkit journey”

This example shows the power of using the toolkit to drill down into organisation performance

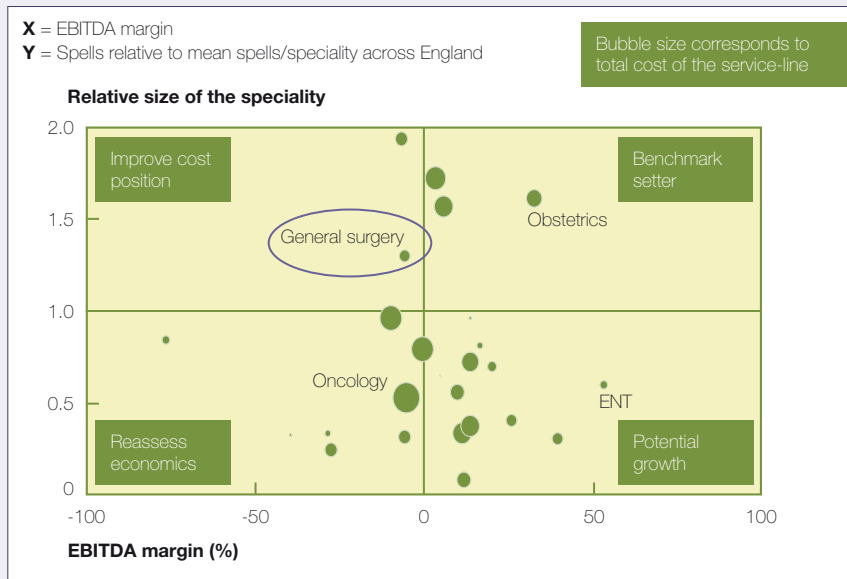


As a result of this journey, the trust:

- Identified improvements to reduce coding errors
- Established a review of its theatre operations to increase usage and utilisation
- Commissioned further analysis to better understand:
 - If there are systematic coding errors
 - Whether other procedures had similar cost profiles

Tool 1: Portfolio matrix

The portfolio matrix showed that general surgery needed to improve its cost position



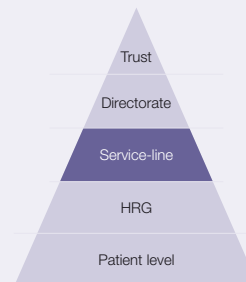
The portfolio matrix showed that general surgery needs to improve its cost position

The drivers of this underperformance were not known at this stage; therefore, further analysis is needed before decisions can be made

Customisation

- Analysis of last year's performance by service-line

Levels of analysis



Tool 2: EBITDA table

The EBITDA table showed elective procedures are highly unprofitable and it was decided to look at this further

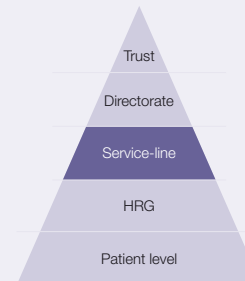
Point of Delivery	Number of spells/bed-days	Number of out-patients	Revenue £000s	Costs £000s			Total EBITDA £000s	EBITDA margin %
				Direct	Indirect	Overheads*		
Day/elective	2,000	n/a	2,600	900	1,500	600	(400)	-15
Non-elective	1,750	n/a	3,300	800	1,400	500	600	18
Out-patients	n/a	10,000	1,800	1,000	500	390	(90)	-5

Day/elective services were losing money. Therefore, it was decided to look at these procedures more in detail

Outpatients services will also have to be analysed

Customisation Levels of analysis

- Activity changes over time were not looked at for this analysis
- Overheads exclude the capital charge



Tool 2: EBITDA table

A further EBITDA breakdown revealed four HRGs which were driving down the margin for elective procedures

HRG	Number of spells/bed-days	Revenue £000s	Costs £000s			Total EBITDA £000s	EBITDA margin %
			Direct	Indirect	Overheads*		
J37 minor skin procedures – Category 1 w/o cc	450	400	100	200	150	(50)	-13
J05 intermediate breast surgery without cc	50	100	30	70	45	(45)	-45
J35 minor skin procedures – Category 2 w/o cc	150	150	50	100	80	(80)	-53
J33 minor skin procedures – Category 3	80	150	50	90	40	(30)	-20
C35 major maxillo-facial/ENT procedures	5	20	5	10	0	5	25
Q15 amputations	5	20	5	5	0	10	50
J99 complex elderly with skin, breast or burn	5	20	5	5	3	7	35
J30 major skin procedures >49 or with cc	50	150	20	50	65	15	10
C45 ENT Complex major maxillo-facial procedures	10	30	5	3	7	15	75

Four HRGs are losing money for the trust
It is decided to undertake further analysis on HRG J05 as it is one of the largest negative EBITDA margins

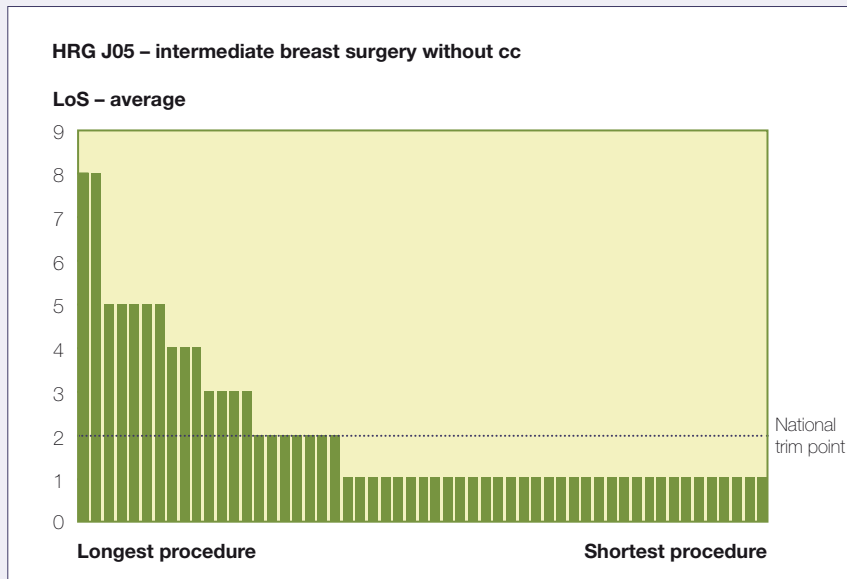
Customisation Levels of analysis

- Activity changes over time were not looked at for this analysis
- Overheads exclude the capital charge



Tool 4: Variance analysis

Length of stay varied significantly for this HRG



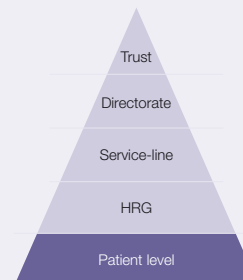
Length of stay ranged from one to eight days for this HRG

It was decided to analyse how costs varied for procedures of the same length

Customisation

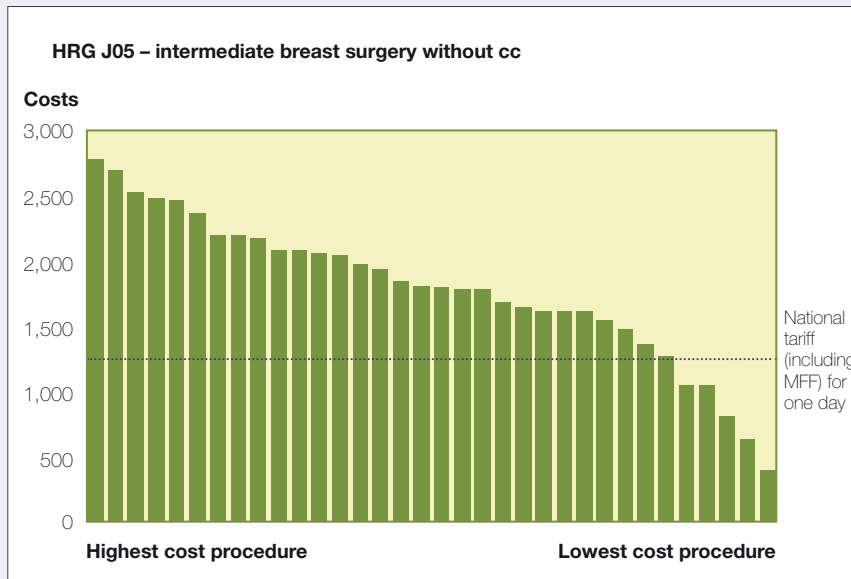
Levels of analysis

- Initial analysis on variance in LoS



Tool 4: Variance analysis

A further drill down showed that costs varied greatly even for spells with the same length of stay



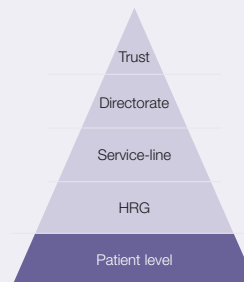
Even for spells with a length of stay of one day, costs varied from £400 to £2,800*

It was decided to look in detail at the outliers to determine the factors which were driving this difference

Customisation

Levels of analysis

- Variance of costs for individual spells with the same length of stay were then carried out



Tool 5: Cost matrix

A cost matrix for the outlier spells revealed that theatre costs were the main causes of differences

Intermediate breast surgery without complications															
Patient 1	Salaries and wages						Non pay								Total
	Nurse	Medical	Medical tech	Allied health	Admin	Other	Blood	Drugs	Path	Prosthe-sis	Medical supplies	Hotel	Overhead	Capital charge	
	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£
Direct costs	150	70			15	5		5			10	20	150	50	
Allied health				20											
Pathology				4			50		100		50		10		
Radiology															
Theatres	250	150	40					20	5		10	5	100	30	
Overhead															
Other indirect costs															
Total	400	220	40	24	15	5	50	25	105		70	25	260	80	1,314

OP Mins	Anaesthetic Mins	Recover Mins	Time on ward (days)
25	40	50	1.2

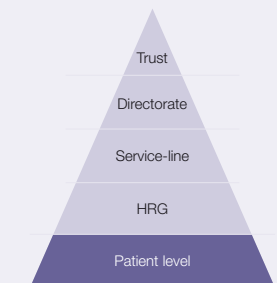
Patient 2	Salaries and wages						Non pay								Total
	Nurse	Medical	Medical tech	Allied health	Admin	Other	Blood	Drugs	Path	Prosthe-sis	Medical supplies	Hotel	Overhead	Capital charge	
	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£
Direct costs	150	200			40	3		25			10	20	250	50	
Allied health				18											
Pathology				5			50		250		50		10		
Radiology															
Theatres	750	500	100					30	5		10	10	300	100	
Overhead															
Other indirect costs															
Total	900	700	100	23	40	3	50	55	205		70	30	560	150	2,986

OP Mins	Anaesthetic Mins	Recover Mins	Time on ward (days)
105	130	90	1.2

By comparing these procedures against each other, it became clear that, for this HRG, theatre costs are the main driver of differences in costs incurred

Further analysis now needs to be done on what is driving these differences and whether they can be reduced

Levels of analysis



Customisation

- A cost matrix for each individual procedure was produced
- Cost lines and cost centres were regrouped to better reflect the pilot trust's existing management information

The benefits to the trust

Significant gains will be realised by addressing the coding and operation improvement issues identified by this analysis

'This work is incredibly important for all of us... We used to make decisions based on who shouted the loudest. This will not happen anymore, now it is all going to be evidence based'

Chief executive

'That is exactly the conversation that needs to occur: what is driving this variance and can we control it?'

Chief executive

'There may well be coding issues, but we have also learnt something new. The assumption was that length of stay is driving costs, but this analysis shows that for this HRG it is theatre time. We did not know this before'

Deputy finance director

'I had no idea an extra 10 minutes in theatre cost so much'

Senior clinician

'If that was miscoded it could have cost us £1,000 in lost revenue'

General manager

It was agreed that further analysis needed to be undertaken to understand

- If there are systematic coding errors (e.g. assigning procedures to HRGs and/or recording actual time in theatres)
- Whether other procedures had similar cost profiles

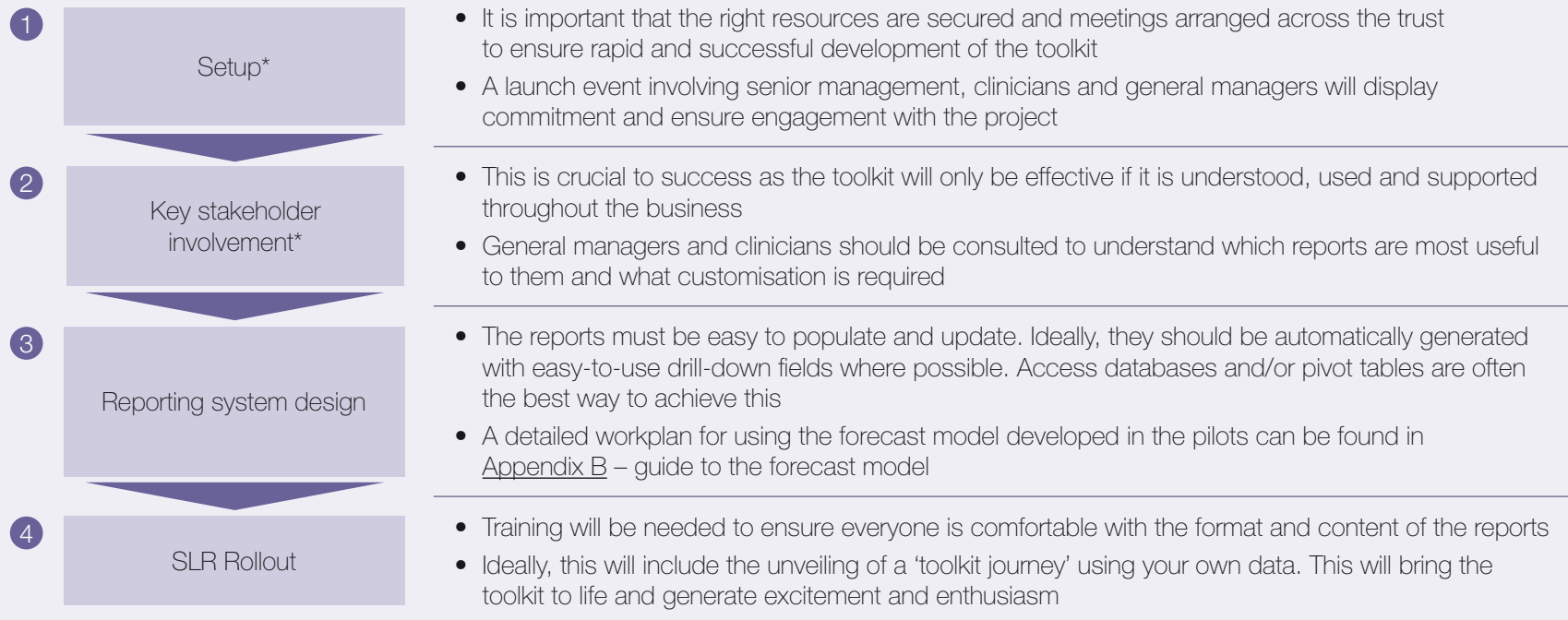
In addition, a decision was made to begin a review of theatre operations

Implementation plan

- ▶ Implementation plan
- Appendices

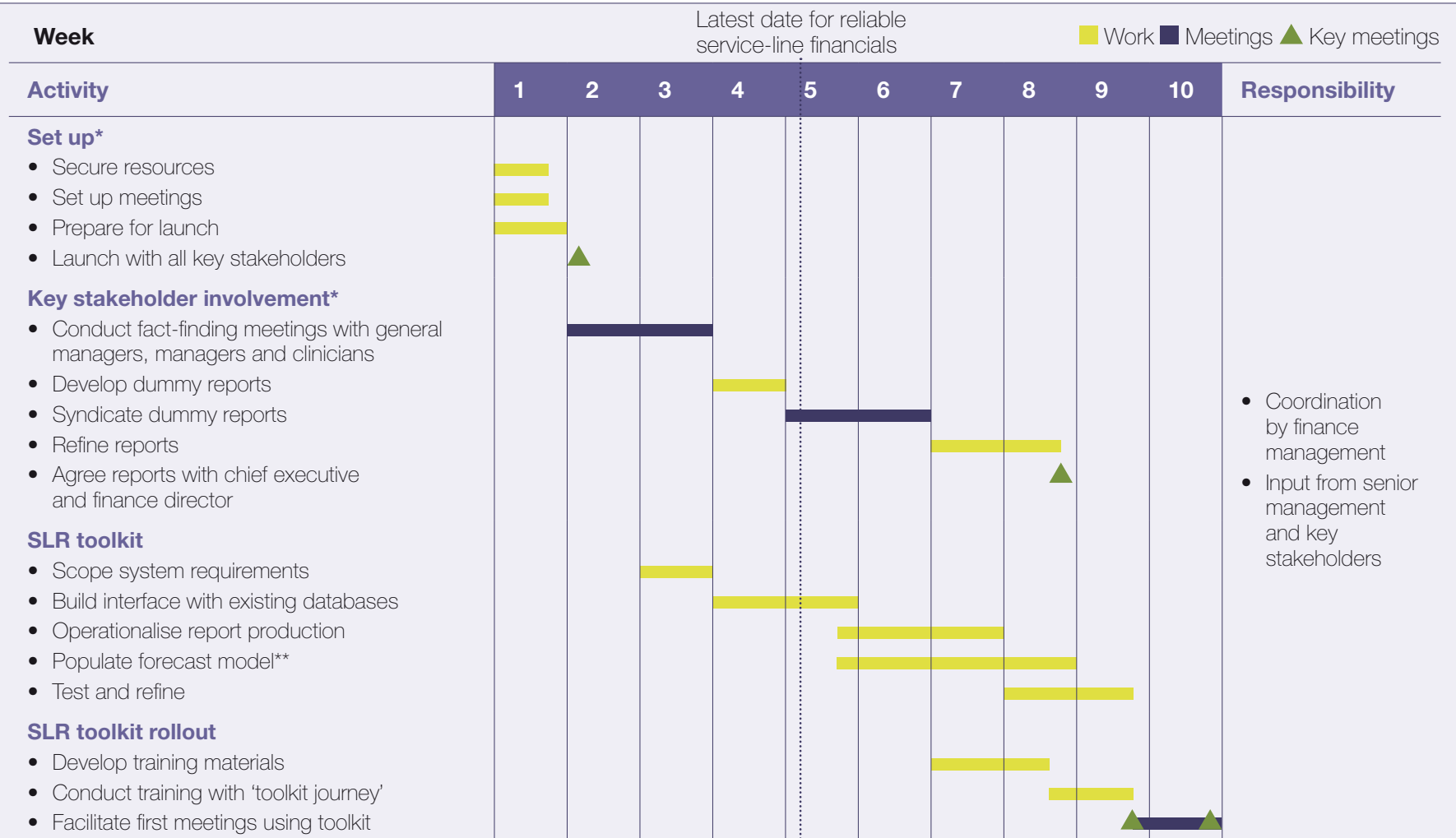
The four steps towards implementation

There are four essential steps to implement this toolkit



Timescale for implementation

With the right management support and focus, this should take no more than ten weeks



*Could take place at the same time, as setup and key stakeholder involvement are needed to develop service-line financials

**See [Appendix B](#) – guide to the forecast model for a detailed workplan

Appendices

A: Glossary of terms

Appendices

- ▶ A: Glossary of terms

Appendix A – Glossary of terms

These definitions can be customised for your trust. The important thing is to ensure clear and consistent definitions across your trust which are understood by everyone who uses the data

Term	Meaning
Contribution	A measure of operating performance which excludes overheads. It shows the 'contribution' made towards covering the overheads of the business
Cost centre	A breakdown of costs by clearly defined areas of managerial responsibility. It can be any unit such as a division, department or a group of employees, to which costs are assigned or allocated
Cost line	A breakdown of costs by groupings of general ledger items, (e.g. pay, non-pay)
Direct cost	Costs which are directly controlled by the service-line (e.g. consultant and nursing costs and drugs)
EBITDA	Earnings before interest, tax, depreciation and amortisation. It is used as a meaningful measure of operating performance, particularly the ability to generate cash
I&E	Income and expenditure. This is the detailed breakdown of the profit and loss statement to derive contribution, EBITDA and net income
Indirect cost	Costs which are incurred by service-lines but controlled by shared service centres (e.g. clinical support services such as pathology, radiology, theatres, some ward costs [such as food and linen, etc.]). Typically, service-lines can control their demand for these services but not the unit cost. This is a slightly different definition from the NHS costing manual which defines direct costs as the cost that can be directly related to one service-line; indirect costs as the costs that can be related to a group of specific service-lines and overhead costs as the costs that cannot be linked to specific-service-lines
LoS	Length of stay
Net income	The amount remaining when all expenses are deducted from income
Overhead costs	Costs that are not related directly to the type and quantity of services provided, such as site and corporate overhead costs
POD	Point of delivery (e.g. elective/day-case, non-elective, outpatient)

Appendices

B: Guide to the forecast model

Appendices

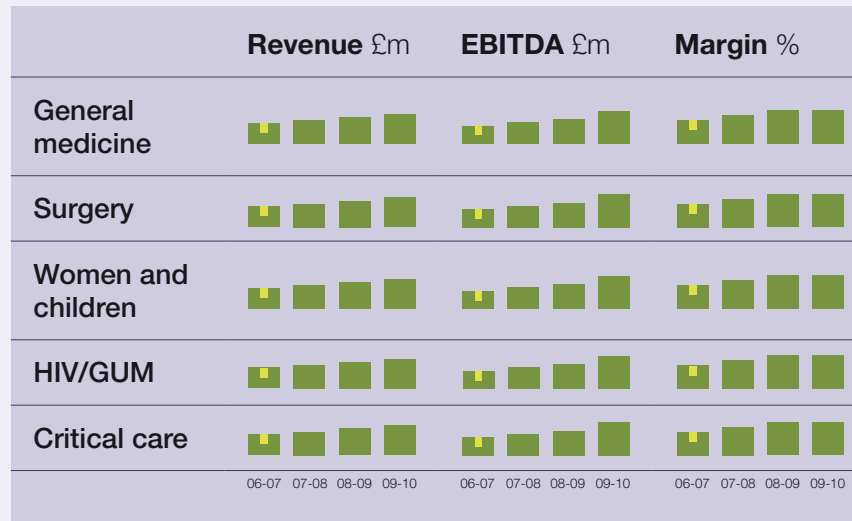
- ▶ B: Guide to the forecast model

Appendix B – Guide to the forecast model

- This model has been developed to allow trusts to produce forecasts for service-line performance and run sensitivities on this. It was well received by pilot trusts as a useful addition to existing forecasting tools
- By combining growth in activity with movements in costs, the model calculates the profitability of a trust for the next five years split by directorate, service-line and point of delivery (POD)
- To generate input for the forecasting model, you must have completed the seven steps required to create reliable service-line financials. When using the model itself, there are also seven steps that need to be taken and some key risks to avoid
- 'What if?' analysis can be undertaken by changing assumptions on the master control sheet, with the results clearly displayed on an I&E pivot table
- Agreeing on the base scenario typically takes three weeks, with further time required to run sensitivities and gather more advanced input

The model has been developed to allow trusts to produce forecasts for service-line performance and run sensitivities on them

Produces five-year forecasts ■ Strategy plan ■ Current forecast



Allows trusts to run key sensitivities

- **Activity** – comparing different activity scenarios; running sensitivities on uplifts in activity to these scenarios at the trust, directorate or service-line levels; basing activity growth on annual % increases and running sensitivities on these
- **Changes in tariffs** – sensitivities on changes in tariff inflation by trust, directorate or service-line
- **Cost improvement programmes** – sensitivities around the size of future cost improvement programmes
- **Cost driver growth** – sensitivities around basic assumptions of cost growth (e.g. RPI, wage inflation)
- **Day case rates** – scenarios around changes in day-case rates at a trust or service-line level

The model was well received by pilot trusts as a useful addition to existing tools

'We would probably use this, it complements the two models we have already'

'We have never been able to run 'what if?' analysis before because we couldn't link activity and costs. This will let us do it'

Chelsea and Westminster Hospital **NHS**
NHS Foundation Trust

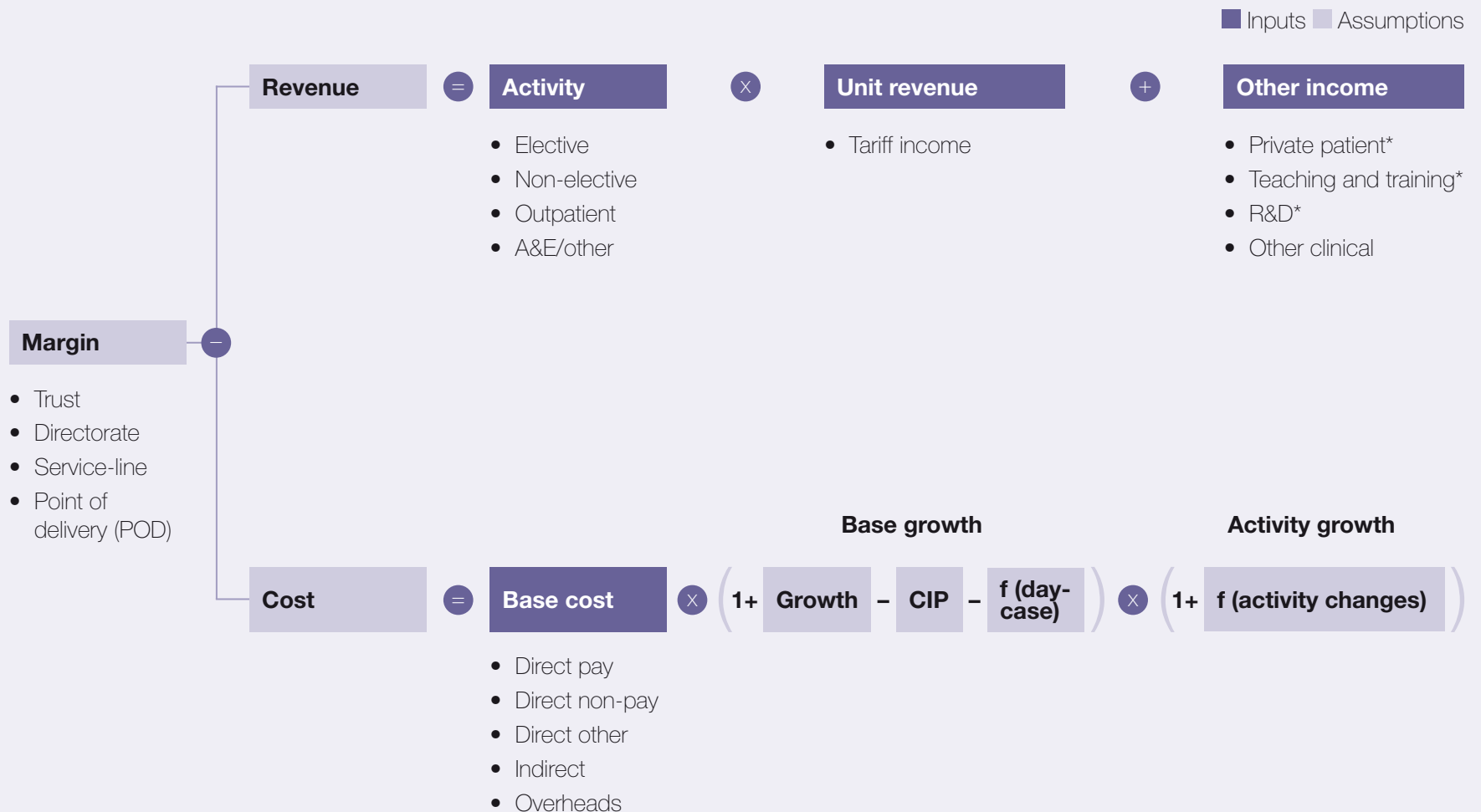
'Forecasting by service is critical to link service-line and overall trust strategy'

'I had never thought of how costs might scale differently with activity – this model is making us ask loads of new questions'

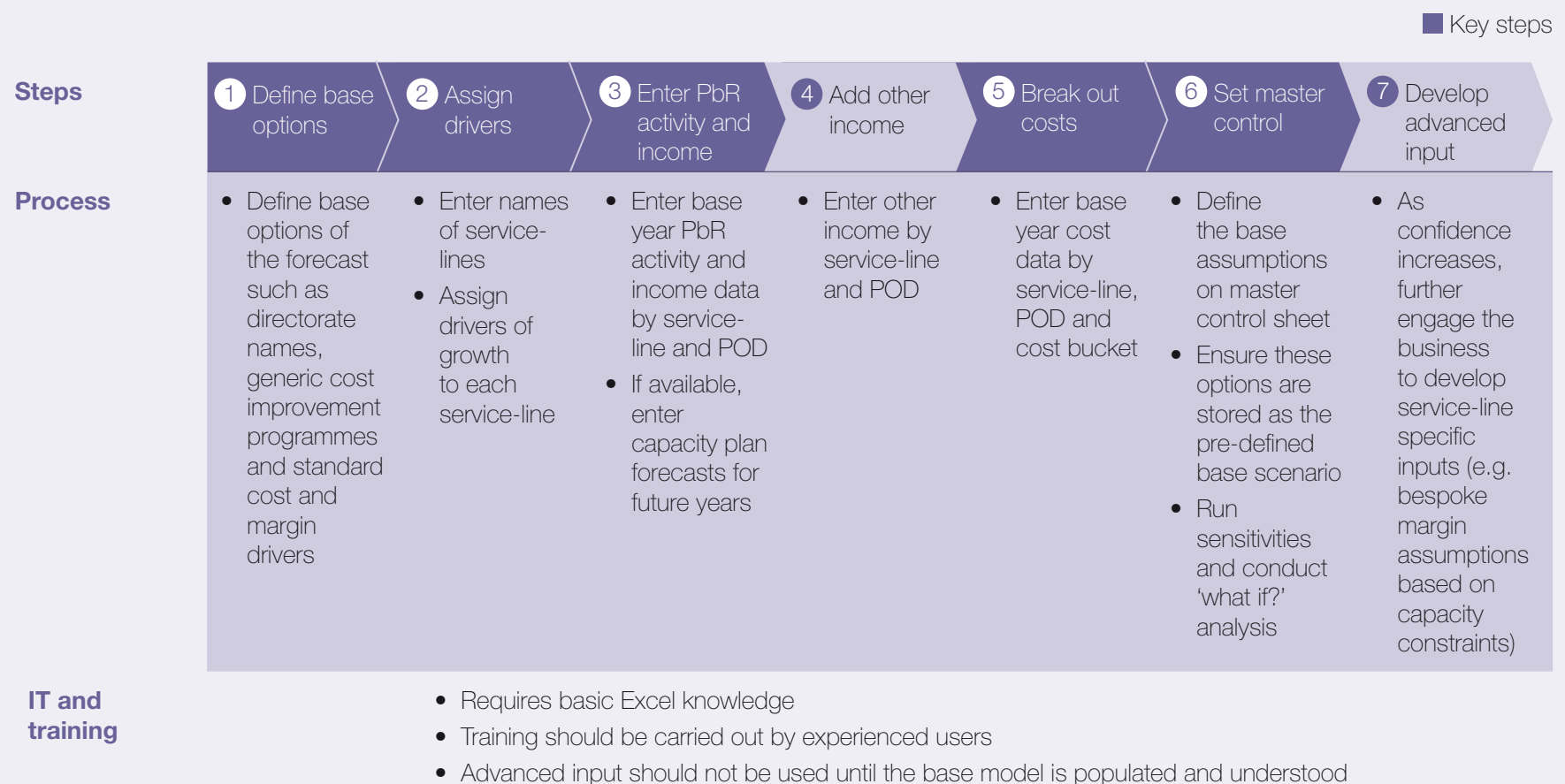
University College London Hospitals **NHS**
NHS Foundation Trust

Frimley Park Hospital **NHS**
NHS Foundation Trust

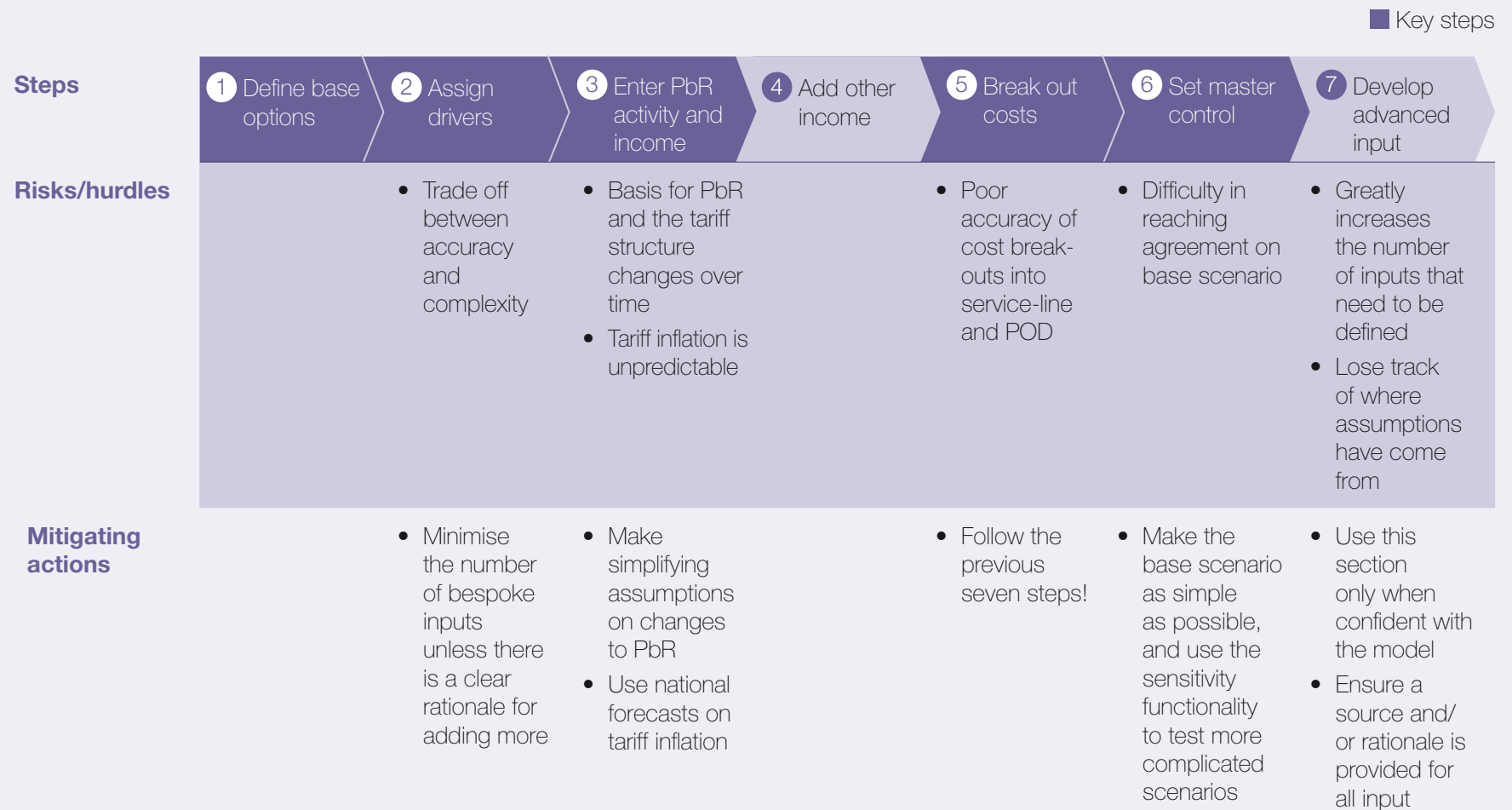
By using appropriate cost and revenue drivers trust profitability can be easily calculated



When using the model there are seven steps that need to be taken



There are also some key risks to avoid



A “what if?” analysis can be undertaken by changing assumptions on the master control sheet

Ability to flex base activity input

Drop-down boxes to choose activity scenarios

Tariff input and scenario chooser

Day-case rate scenario chooser and sensitivities

The screenshot displays a complex financial model interface with several key sections:

- Activity Input:** A table with columns for 'Year' and 'Scenario' (Standard, High, Low) and rows for various activity categories like 'Retail', 'Wholesale', and 'Other'.
- Standard Growth Drivers:** A table with columns for 'Year' and 'Scenario' and rows for 'Load Growth', 'Retail', 'Wholesale', and 'Other'.
- Cost Improvement Programme:** A table with columns for 'Year' and 'Scenario' and rows for 'Capex', 'Opex', and 'Other'.
- Overhead Growth Scenario Chooser:** A table with columns for 'Year' and 'Scenario' and rows for 'Overhead', 'Retail', 'Wholesale', and 'Other'.
- Marginal Cost Scenario Chooser and Sensitivities:** A table with columns for 'Year' and 'Scenario' and rows for 'Marginal Cost', 'High Variable', and 'Other'.

Standard growth driver input

Cost improvement programme input

Overhead growth scenario chooser

Marginal cost scenario chooser and sensitivities

The results are clearly displayed on an income and expenditure pivot table

Ability to look at an individual directorate, service-line or even POD

Profit and loss broken down by revenue and costs

Contribution and EBITDA margins automatically calculated

I&E output

Value Service line I&E
 Directorate (Multiple Items)
 Service line (Multiple Items)
 POD Total

Refresh pivot tables

Data

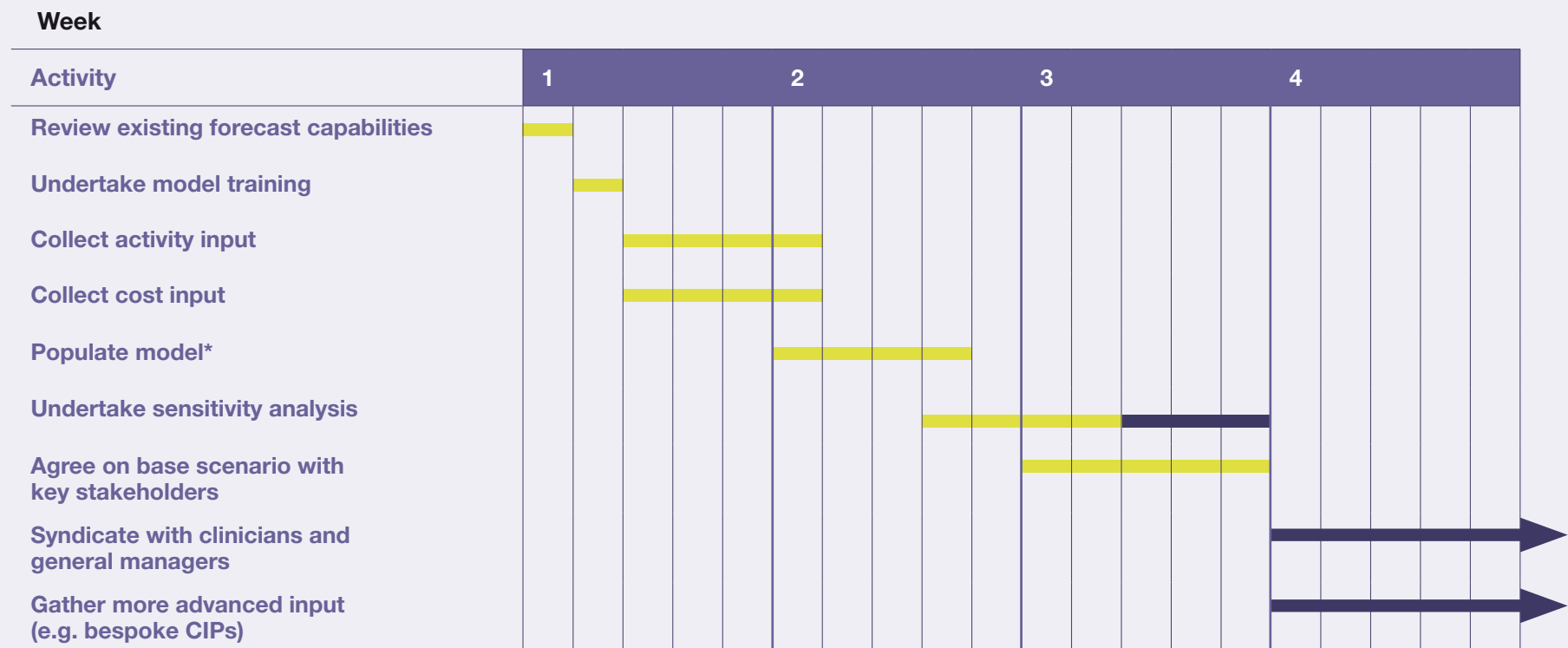
P&L2	Sum of 06/07	Sum of 07/08	Sum of 08/09	Sum of 09/10	Sum of 10/11	Sum of 11/12
Spell	1,733,653	1,785,663	1,839,232	1,894,409	1,951,242	2,009,779
PbR Revenue	135,821	139,896	144,092	148,415	152,868	157,454
Other Revenue	18,227	18,227	18,227	18,227	18,227	18,227
Total revenue	154,048	158,123	162,319	166,642	171,095	175,681
Pay cost	(67,384)	(70,754)	(74,291)	(78,006)	(81,906)	(86,002)
Non-pay	(2,393)	(2,489)	(2,589)	(2,692)	(2,800)	(2,912)
Other direct	0	0	0	0	0	0
Indirect costs	(45,971)	(47,810)	(49,722)	(51,711)	(53,779)	(55,931)
Overhead	(21,133)	(22,190)	(23,299)	(24,464)	(25,688)	(26,972)
Total costs	(136,882)	(143,242)	(149,901)	(156,873)	(164,173)	(171,816)
Total contribution	38,299	37,070	35,717	34,233	32,609	30,837
Contribution margin (%)	25%	23%	22%	21%	19%	18%
Total EBITDA	17,166	14,880	12,418	9,769	6,922	3,865
EBITDA Margin (%)	11%	9%	8%	6%	4%	2%

Instructions: You can look at the outputs by Directorate, Service-line and POD. Do not select all PODs otherwise it will double count. If you want to look at the outputs in a different way use the pivot table in sheet "Spare pivot".

Simply push this button to refresh the table after you have changed your assumptions

Agreeing on the base scenario typically takes three weeks, with further time required to run sensitivities and gather more advanced input

This timeline assumes that the work to produce reliable service-line financials has already been undertaken.



Appendices

C: Sample reports

Appendices

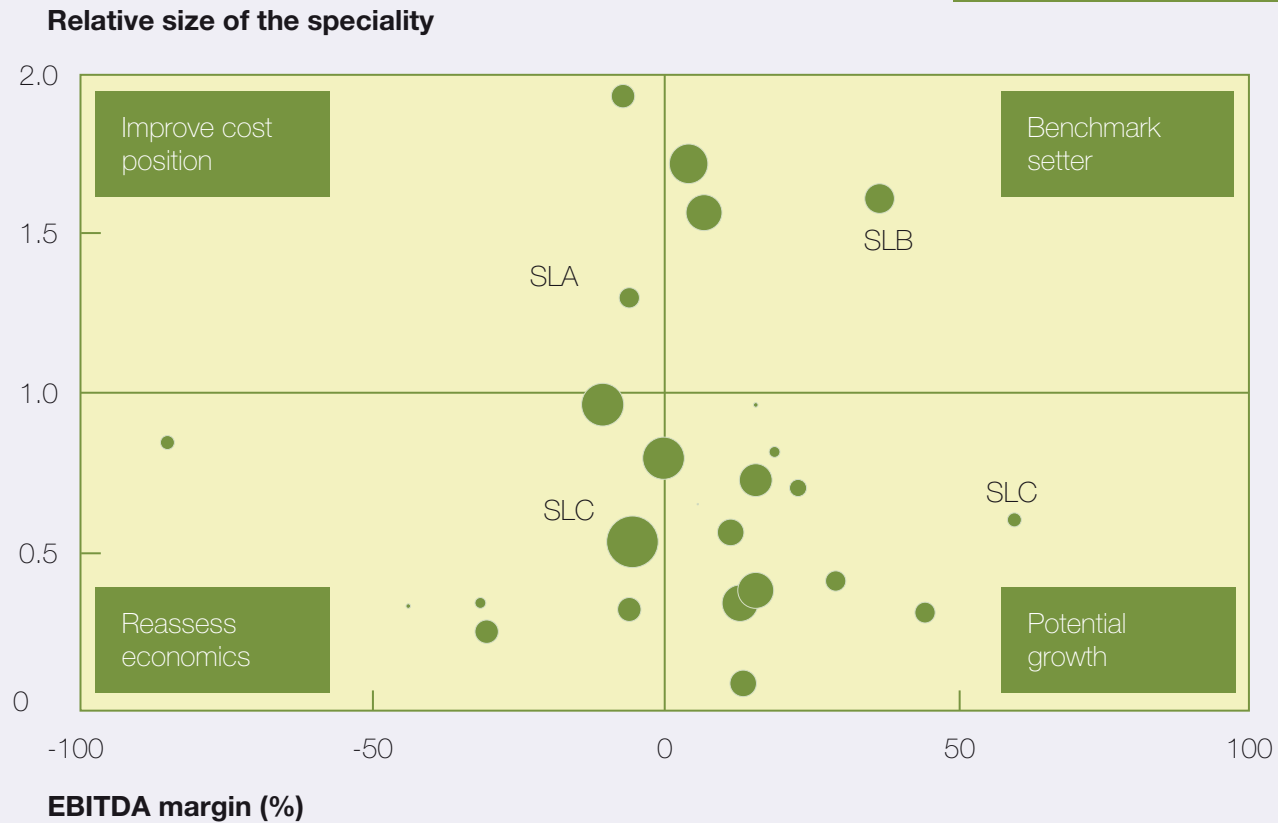
- ▶ C: Sample reports

Appendix C – Sample reports

Tool 1: Portfolio matrix

X = EBITDA margin
Y = Spells relative to mean spells/speciality across England

Bubble size corresponds to total cost of the service-line



Tool 2: EBITDA table

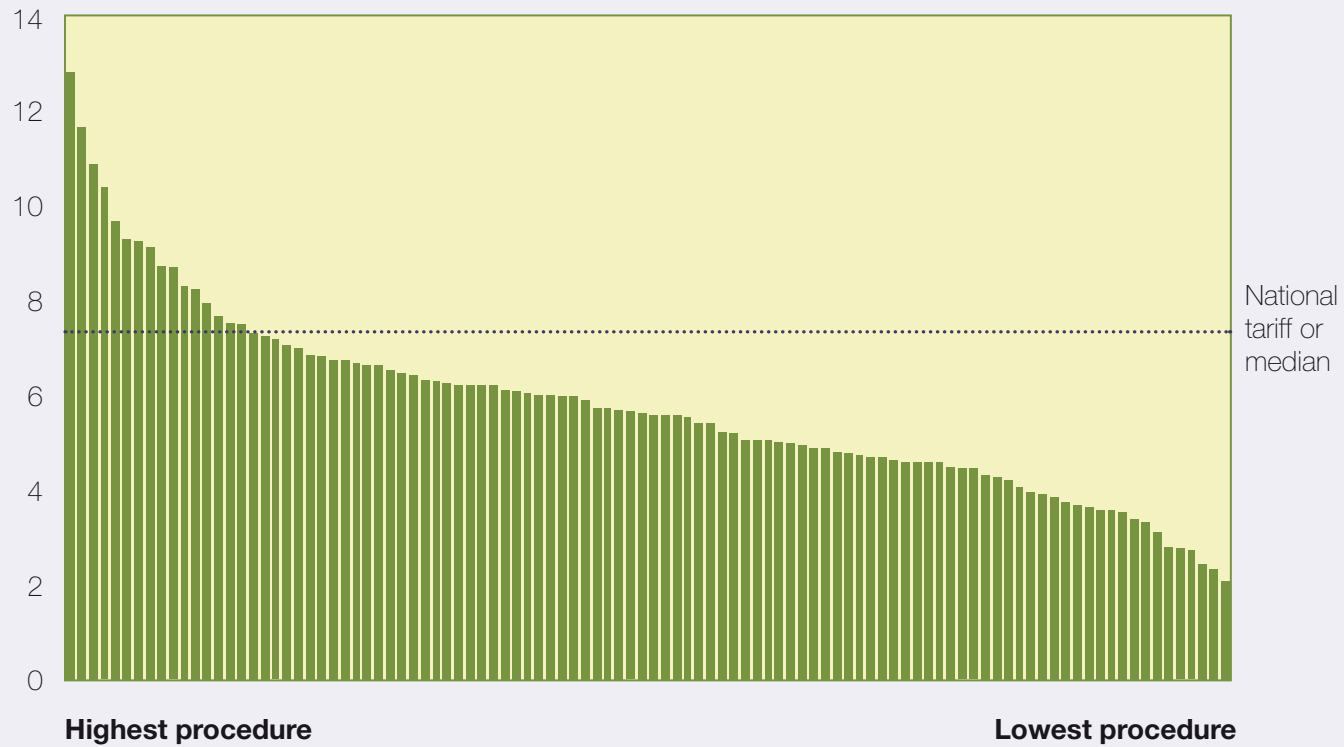
Service-line	Number of spells/bed-days	Number of out-patients	Revenue £000s	Costs £000s			Total EBITDA £000s	EBITDA margin %	% change in activity
				Direct	Indirect	Overhead			
ITU	x	x	x	x	x	x		x	
Pain management	x	x	x	x	x	x		x	
Palliative medicine	x	x	x	x	x	x		x	
GUM	x	x	x	x	x	x		x	
HIV	x	x	x	x	x	x		x	
Accident & Emergency	x	x	x	x	x	x		x	
Cardiology	x	x	x	x	x	x		x	
Care of the elderly	x	x	x	x	x	x		x	
Clinical haematology	x	x	x	x	x	x		x	
Dermatology	x	x	x	x	x	x		x	
Endocrinology	x	x	x	x	x	x		x	
Gastroenterology	x	x	x	x	x	x		x	
Medical oncology	x	x	x	x	x	x		x	
Neurology	x	x	x	x	x	x		x	
Rheumatology	x	x	x	x	x	x		x	
Thoracic medicine	x	x	x	x	x	x		x	
Burns	x	x	x	x	x	x		x	
General surgery	x	x	x	x	x	x		x	
Ophthalmology	x	x	x	x	x	x		x	
Plastics	x	x	x	x	x	x		x	
T&O	x	x	x	x	x	x		x	
Urology	x	x	x	x	x	x		x	
All paediatrics	x	x	x	x	x	x		x	
Gynaecology	x	x	x	x	x	x		x	
Obstetrics	x	x	x	x	x	x		x	

Tool 3: Detailed income and expenditure

Directorate, Service-line, POD or HRG	Actual	Plan	Variance	Commentary
Income				
• Tariff income	x	x	x	–
• Non-tariff income	x	x	x	–
• Non-NHS clinical income	x	x	x	–
• Other income	x	x	x	–
Total income	x	x	x	–
Direct costs				
• Direct pay costs				
– Nursing	x	x	x	–
– Consultants	x	x	x	–
– Other clinical	x	x	x	–
– Non-clinical	x	x	x	–
• Non-pay costs				
– Drug costs	x	x	x	–
– Supplies	x	x	x	–
– Other direct costs	x	x	x	–
Indirect costs				
– Allied healthcare professionals	x	x	x	–
– Radiology	x	x	x	–
– Pathology	x	x	x	–
– Theatre	x	x	x	–
– Other services	x	x	x	–
Total direct and indirect costs	x	x	x	–
Contribution	x	x	x	–
Contribution margin (%)	x	x	x	–
Overhead costs				
• Site costs	x	x	x	–
• Corporate costs	x	x	x	–
EBITDA	x	x	x	–
EBITDA margin (%)	x	x	x	–
Interest, depreciation and amortisation	x	x	x	–
Earnings	x	x	x	–

Tool 4: Variance analysis

HRG, procedure or clinician
Cost, LoS, day-case rate



Tool 5: Cost matrix

Cost centre	Clinical personnel	Nursing personnel	Allied healthcare professional personnel	Other personnel costs	Drug costs	Material costs	Other medical supplies	Other	Personnel & material costs medical infrastructure	Personnel & material costs non-medical infrastructure
Ward									Corporate support and site costs	
Intensive care										
Dialysis										
Anaesthesia				Direct costs						
Delivery room										
Therapy										
Other direct										
Allied healthcare										
Radiology				Clinical support services						
Pathology										
Theatres										
Other CSS										

Further information about SLM

This guide is one of a series of documents produced by Monitor to help NHS foundation trusts implement SLM. All of these guides can be found on Monitor's website www.monitor-nhsft.gov.uk/slm

- *Working towards service-line management: a how to guide* – this guide sets out the processes and structures necessary to implement SLM within a trust setting;
- *Working towards service-line management: organisational change and performance management* – this guide looks at ways in which service-line reporting (SLR) can be used as a motivational tool and to influence;
- *Guide to developing reliable financial data for service-line reporting: defining structures and establishing profitability* – this guide helps foundation trusts move towards service line reporting and describes how some of the obstacles to SLR can be overcome;
- ***Working towards service-line management: a toolkit for presenting operational service-line data*** – this guide describes a range of service-line reporting (SLR) tools and shows how they can be used to present data to encourage informed decision making; and

- *Working towards service-line management: using service-line data in the annual planning process* – this guide shows how SLR data can be incorporated into a trust's business planning cycle.

To help implement SLM, Monitor – working in conjunction with various external organisations – can offer a comprehensive package of support, specifically tailored to individual needs, both in terms of cost and relevance. The support routinely includes consultancy and advisory services, board level diagnostics, individual coaching, strategic goal setting and the opportunity to join learning sets. For more information contact slm@monitor-nhsft.gov.uk

The logo for Monitor, featuring the word "Monitor" in a white, sans-serif font. A thin white line forms an arch over the letter 'i'.

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