Costing of Health Services for Provider Payment: A Practical Approach to Costing Challenges, Trade-offs and Solutions

The Joint Learning Network for Universal Health Coverage (JLN) has hosted a Collaborative on Costing of Health Services for Provider Payment (“Costing Collaborative”) since 2012 to share experience and solve common challenges related to costing for provider payment.

The Costing Manual developed by the Costing Collaborative members is the first costing-specific resource that bridges costing theory — what you should do — with practical, step by step guidance on what you can do to address multiple challenges related to costing for provider payment in low and middle income countries (LMICs).

The Manual takes traditional guidelines on step-down cost accounting one step further by providing practical options to overcome the real life challenges associated with costing in LMICs. Some common challenges addressed in the manual include data constraints, different concerns of public and private providers, weak cross-institutional collaboration, among others.

This Manual provides tools and templates based on the day-to-day experiences of a network of practitioners that can be adapted to a variety of contexts due to the unique, collaborative approach used in its design. The diversity of experiences reflected in each step of the Manual offers a range of options that practitioners from other countries can draw on to become their own costing experts to improve provider payment policy processes.

A Collaborative Learning Approach to Overcoming Common Provide Payment Challenges

1. Where we began: JLN countries identified costing of health services for provider payment as a primary technical challenge. As there was no known tool for costing in data-constrained environments, the Costing Collaborative decided to develop a resource based on real experience specifically for LMICs.

2. How was the costing manual developed? Over the course of 18 months, experts from the JLN came together virtually and in person to co-produce the Manual based on their experience to illustrate how options are selected, trade-offs are made, and creative solutions are found to carry-out costing for provider payment reform.

3. Capacity building: By grounding costing theory in a practical, experienced-based step-by-step process this Manual not only provides guidance on how to approach step-down costing, it also serves as a learning tool to help build capacity. This dual approach reduces country dependence on external experts and allows institutions to build teams of costing experts within their own contexts.

4. Looking Ahead: The Costing Manual is available as an open source resource to guide country costing processes or to serve as a training tool. Members of the Costing Collaborative are available to support country costing exercises and training activities for countries that are interested in implementing the Costing Manual.

Are you interested in receiving a copy of the JLN Costing Manual? Contact us at jln@r4d.org

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The JLN Costing Manual is organized in three parts with a 10-step process for the costing of health services for provider payment reform. Although it is organized as a step-by-step guide, the Manual emphasizes that, in practice, costing for provider payment reform is a dynamic, nonlinear process with many steps occurring simultaneously. Focusing on real-world application, the Manual presents options for when theory meets reality.

**Part I: Costing Methodologies**
- Establishing the purpose and objectives for a costing exercise
- Side-by-side discussion of step-down costing, bottom-up costing, and mixed methods and the advantages and disadvantages of each for provider payment policy and rate-setting
- Guidance for choosing among different costing methodologies for different objectives in different contexts

**Part II – IN FOCUS:** The right costing method depends on the context and objectives, methods may be used in combination, and the methods may evolve over time. For provider payment, the majority of cost estimates typically comes from step-down cost accounting, though there may be a supplemental role for targeted bottom-up and normative costing.

**Part II: Data Collection Tools, Templates and Techniques**
- Lessons from country experience in adopting the least expensive and labor intensive plan for data collection, processing, and analysis that is necessary to yield valid results.
- Strategies for improving data collection, quality and automation.
- Annotated set of tools and templates for collecting costing data and carrying out step-down cost accounting analysis.

**Part II – IN FOCUS:** Country sample tools provided in the manual demonstrate that even with adaptations to country context, there is a relatively standard, common approach to collecting and analyzing costing data. The country examples offer practical, real-life strategies to streamline data collection and make use of imputations, extrapolations, and estimates to overcome challenges of data availability, quality, and completeness.

**Part III: From Costing to Provider Payment**
- Strategies for using costing analysis to inform provider payment design and implementation
- How cost information, policy objectives, available resources, and negotiation work together to determine provider payment rates.

**Part III – IN FOCUS:** Costing often is not the most important standalone factor in the rate-setting process, but it helps inform the other factors and make them more transparent.