



Singapore Healthcare Management 2024

Value-Based Costing and Financial Analysis at Tan Tock Seng Hospital

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Introduction

With the shift in healthcare financing towards a capitation model, there is a need for healthcare professionals to develop a **greater awareness** on the **cost of care delivery** to ensure that **health outcomes** are achieved at a **sustainable cost**.

01

The **existing setup of accounting systems** are built around individual departments and cost centres, which **provides only crude estimates** of the true costs incurred by the hospital.

02

The challenge to determine the true costs of care delivery is **further compounded** by the **increasing complexity of the healthcare ecosystem**, which has required the setup of **multidisciplinary service lines**.

03

Even though a cost catalogue has been made available to reference norm costs of key cost elements, there was a **low utilisation rate of the tool among unit managers**.

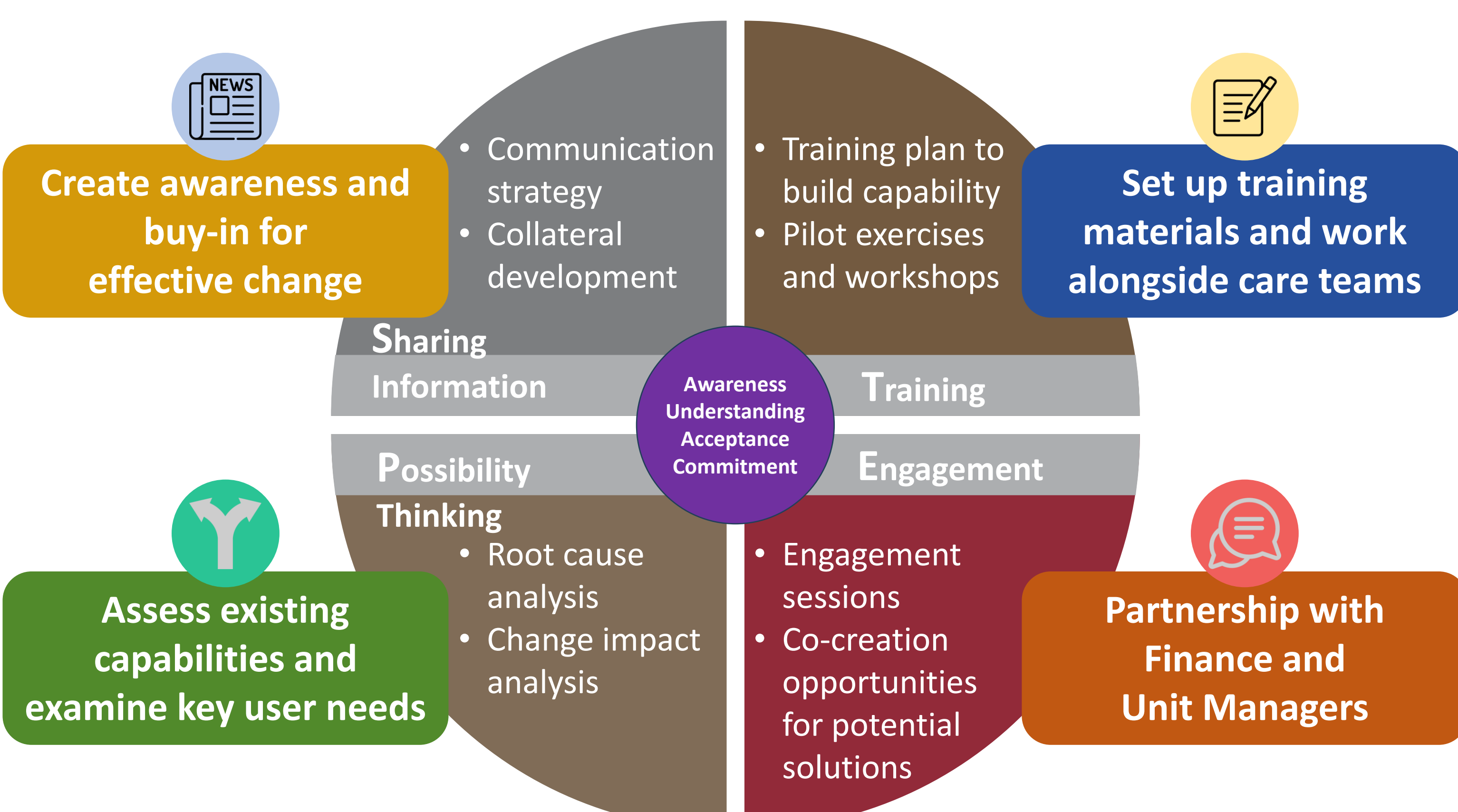
Hence, this project aims to achieve the following:

To develop **increased awareness and appreciation for value-based costing** within the organisation.

To **empower improved resource optimisation** for care services, derived from alternative methods to **overcome existing system limitations**.

Methodology

To effectively lead change and meet the project aims, the Value Management Unit adopted the **STEP Change Management Strategy Framework**, developed by TTSH Organisation Development, to carry out the following:



Results

The following enablers were developed, which resulted in the improvement of cost awareness and led to cost containment and revenue optimisation strategies:



Cost Calculator

A **seamless template** integrated with the cost catalogue, with **auto-populated dashboards**, to translate mapped care activities and derive cost figures. This rollout led to a reported **increase from 53% to 80%** of unit managers with **improved confidence to utilise costing tools**.



Hybrid Value-Based Care Methodology

A **scalable approach** that incorporated viable alternatives to **supplement time-driven activity-based costing** via staff interviews and bill as proxy to cost. **Five pilot care teams** reported **greater ease for costing exercises** to identify revenue leakages and inform on pricing strategy.



Digital Learning Course

A **self-learning online module** to **develop capability and inculcate value-based principles** for all staff. A **pilot workshop for 14 staff** found an **85% increase** in understanding value-based costing. Since its launch in August 2023, **more than 180 staff** had registered for the course.



Financial Analysis Exercise

A **customised template of services** for reviewing cost elements against revenue to **guide business planning and resource optimisation efforts**. Since its roll-out in April 2023, **more than 20 departments** have onboarded this exercise, with actionable insights, such as follow-up plans from the Allied Health Division translating to a **30% projected increase in annual gross revenue**.

Conclusion

Ensuring **operational and financial sustainability** is core to organisation health and excellence. The efforts resulting from this project have been **embedded as key enablers** to support day-to-day hospital operations and improvement initiatives. This has empowered unit managers and heads of departments to **take proactive ownership** for the **financial health and resource optimisation** of their respective departments and cost centres, which in turn facilitates **delivery of health outcomes at a sustainable cost** to both patients and the healthcare system.