

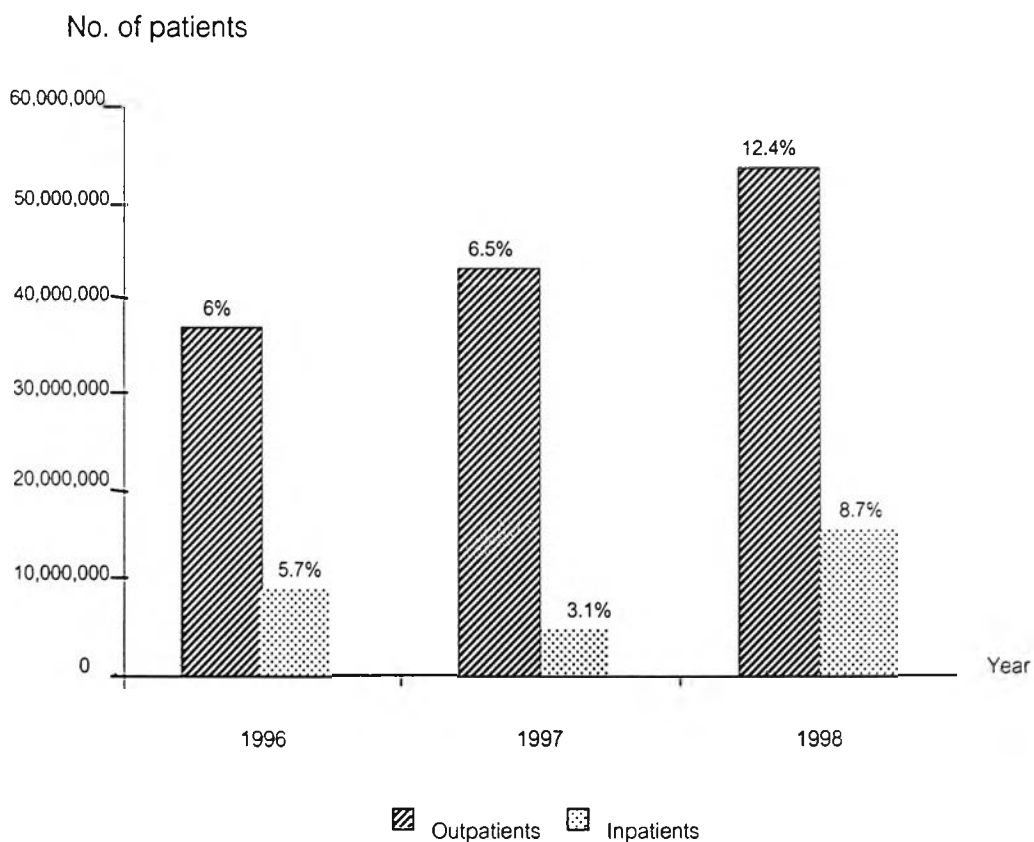
CHAPTER 1  
INTRODUCTION



1.1 Background and Rationale

Between 1996 and 1998, the total number of outpatient visits in provincial and district hospitals increased. An increase in outpatient visits was 6.5 percent in 1997 and 12.4 percent in 1998. An increase in inpatients was 5.7 percent in 1996, 3.1 percent in 1997 and 8.7 percent in 1998. Figure 1.1 it is shown the number of outpatient visits and inpatients in 1996-1998.

Figure 1.1: Number of outpatient visits and inpatients in 1996-1998



Sources: provincial hospitals division and rural health division, MOPH

It can be seen from the figure 1.1 there is trend the number of outpatients and inpatients to go up every year as there are limited resources and budgets, resources must be used more efficiently. So that the hospital can provide good health care at reasonable costs, more rigorous economic analysis should be used to eliminate wasteful resources.

The cost analysis in this study is important to the hospital because it will demonstrate the use of a more rigorous approach to estimate unit costs. It is necessary to determine the unit cost in order for the hospital to implement any new programs efficiently.

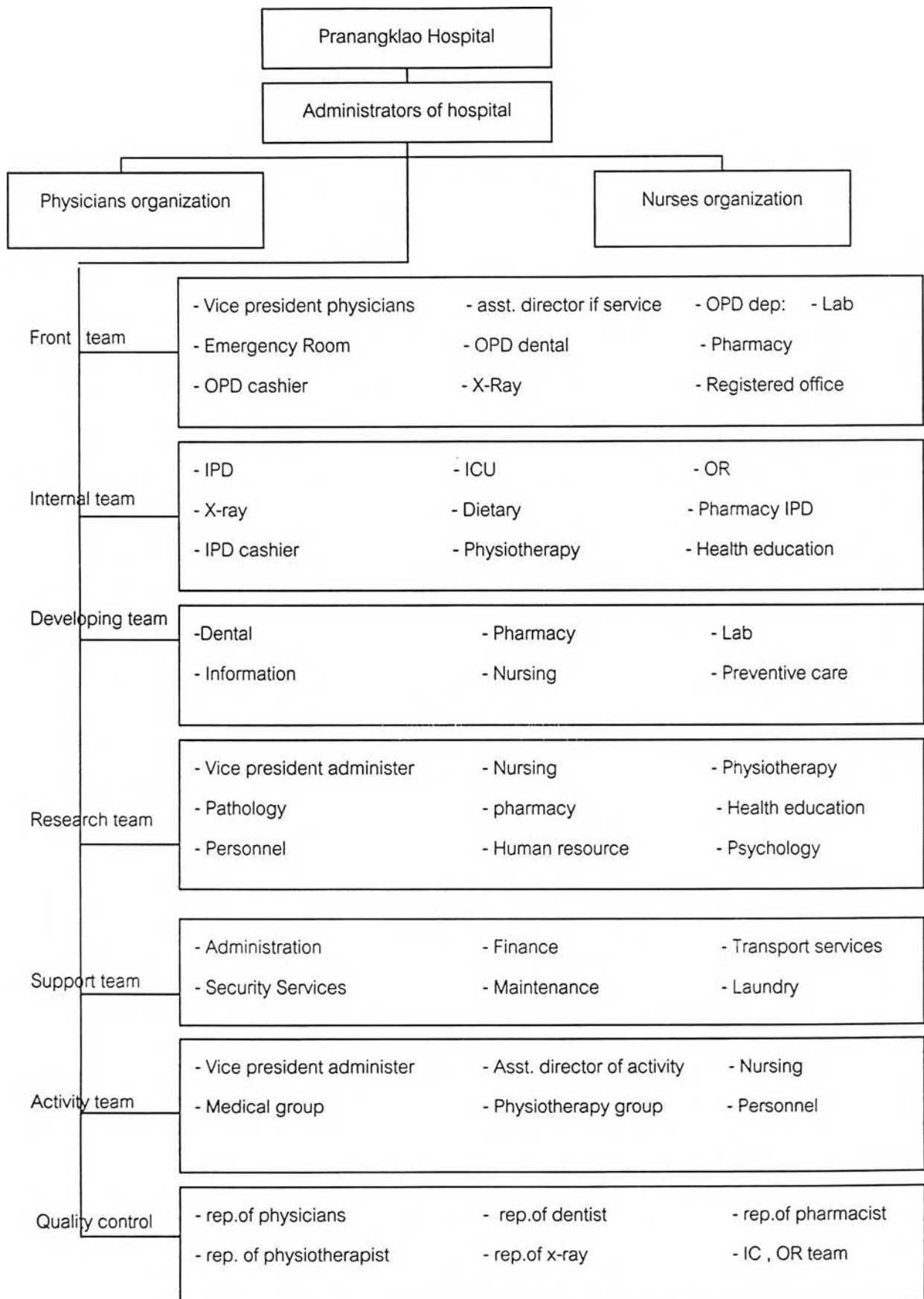
Pranangklaow hospital is at tertiary care level hospital with totaling 430 beds, consisting of 340 ordinary beds and 94 private beds, as well as 16 intensive care beds. The hospital was established in 1957 and is located in Nonthaburi province, a suburb of the Bangkok Metropolitan Area. There are total 1,074 personnel comprising 591 civil servants and 483 others. The civil servants consist of into 63 physicians, 7 dentists, 9 pharmacists, 414 nurses and 98 other health personnel.

Pranangklaow hospital is a public hospital that is supported from government for some of its budget for material, labor and capital cost. Pranangklaow hospital annual report 2000 showed in the fiscal year 2000 (October 1999 - September 2000). From year 1999 to 2000 there was increased the number of OPD visits to 18.1 percent and 4.7 percent IPD cases. An continuous increase in number of outpatients and inpatients.

For this study, Pranangklaow hospital is chosen because it represents the tertiary level public hospital with a large portion of the hospital budgets

coming from the Ministry of Public Health ( MOPH ) and the hospital has faced an increasing number of patients continuously under the constrained resources . It is necessary to know the cost and analyze the unit cost and DRGs cost per RW so that the hospital administrator can control costs and allocate the resources efficiently.

Figure 1.2 : Organizational structure of Pranangklaio Hospital



## 1.2 Research Questions

1.2.1 What is the cost structure of Pranangklao hospital?

1.2.2 What are the unit costs of OPD and IPD at Pranangklao hospital?

1.2.3 What are the DRGs cost per RW of 5 common diseases at Pranangklao hospital?

## 1.3 Research Objectives

1.3.1 To identify the cost structure and the ratio of cost structure of Pranangklao hospital.

1.3.2 To analyze the full hospital costs, both direct and indirect and the unit cost of each patient services.

1.3.3 To estimate the DRGs cost per RW of 5 common diseases at Pranangklao hospital.

## 1.4 Scope of the Study

This study focuses on unit cost analysis and the DRGs cost per RW of 5 common diseases of Pranangklao hospital in the fiscal year 2000 ( 1 October 1999 - 30 September 2000 ) from provider's perspective.

## 1.5 Possible Benefits

It is hoped that the result of this study will:

1.5.1 be useful for the hospital administrators to determine proportion of cost structure for hospital so hospital administrators can identify which proportion is too high and reallocate the resource efficiently.

1.5.2 help the hospital administrators to use and apply the unit cost results from each patient service to control the costs.

1.5.2 help the hospital administrators to evaluate the financial situation so that the hospital can survive.

1.5.3 be useful for the hospital administrators to determine the DRGs cost per RW that the reimbursement rate from MOPH covers DRGs cost per RW.

1.5.4 be useful for the hospital administrators to improve the hospital accounting system to include a centralized database for recording.