Colorado Title X
Family Planning Program

Cost Analysis/Rate Setting
Part 1: Determining Cost

Presented By:
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AHIMA-Approved ICD-10-CM/PCS Trainer
Director of Coding/Compliance

www.RTWelter.com
2018 Cost Analysis/Cost Setting

Training Webinars will be:

• March 5$^{th}$ from 12-1pm
• March 12$^{th}$ from 12-1pm
• March 19$^{th}$ from 12-1pm

Webinar recordings are located at:

www.rtwelter.com/publichealth
Performing a cost analysis/cost setting activity is a Colorado Title X requirement that demonstrates how vendor sliding fee scales are developed.

“Charges must be based on a cost analysis of all services provided by the project.”

- US Department of Health and Human Services, Office of Population Affairs
2018 Cost Analysis/Cost Setting

- Allows you to understand the costs associated with your services
- Make informed decisions about setting appropriate fees for services
- Negotiate payment and rates with payers
- Sustainability
Introduction

WHAT IS COST?
Defining Cost?

- Your organization should have access to financial statements/reports monthly.
- For example, a profit and loss statement (P&L) is a historic look at a business; what happened in the past.
Defining Cost?

- Cost is **everything** (related to Title X services):
  - Rent
  - Personnel (wages, benefits), full time, part time, contractors
  - Insurance
  - Supplies
  - Lab
  - Medications
  - In-Kind Contributions
  - Etc.
Defining Cost?

• MANY of you provide other services in addition to Title X, so it is important to keep track of all expenses.

• It may be necessary to make estimates and document the rationale for separating out those expenses.
Direct Costs

• Expenses associated with providing a service
  – Personnel
  – Materials
  – Travel
  – Consulting services
  – Equipment
  – Mail
Indirect Costs

- Expenses incurred to support direct care that are incurred for common objectives and cannot be specifically identified with a particular program or activity
  - Administration
  - Housekeeping
  - Rent
In-Kind Contributions

- Goods or services that are provided at no cost to the program to further the goals and outcomes of the project
COMMON COSTS
Cost Categories

- Operating Expenses
- Professional Services
- Personnel Costs
- Provider Specific Costs
- Ancillary Services
- Pharmacy
- Community Outreach and Education
- Administrative
- Other Costs
Operating Expenses

- Advertising
  - Advertising may be classified as Marketing or Community Outreach/Education

- Education/Training (Publications/Journals)
  - Conferences
  - Resources and Handouts
  - Videos
Operating Expenses

- Dues and subscriptions
- Computers and technology costs: software, support, other, copier lease, etc.
- Billing
- Equipment leases
- Office liability insurance
- Postage, delivery, shipping
- Supplies: marketing, medical, office
Operating Expenses

- Telephone
- Answering service
- Utilities: gas and electricity
- Rent
- Internet
- Housekeeping/cleaning service
- Waste management
- Insurance: business, liability/office
Professional Services

- Accounting/Finance
- Bookkeeping
- Billing
- Audits
- Legal
- Consulting
- Recruiting
Personnel Costs

• Staff
  – Management and Non-management
  – Exempt and Non-Exempt
  – Not providers, not revenue producers

• All costs – specific to each staff member!
  – Wages
  – Benefits (health insurance, retirement, Medical reimbursement…)
  – Workers Comp
  – Continuing education
Personnel Costs

- Allocation of staff
  - Identify all individuals who spend any amount of time during the year on Family Planning related services
  - Determine the tasks each staff member performs throughout the year using the previously mentioned common costs
Personnel Costs

Common personnel costs

- Wages
- Benefits (health insurance, retirement, medical reimbursement)
- PTO Accrual
- Workers’ compensation
- Continuing education
- Etc.
Time Study - Family Planning Services

- Determine FTE Percent
- Identify time span to measure (daily, weekly, monthly)
- Delineate tasks performed by the individual
Time Study - Family Planning Services

For Example:

0.30 WIC
0.40 Family Planning
0.20 Immunizations
0.10 Other
1.00 FTE

*Only 40% of FTE salary can be counted towards FP costs
Provider Specific Costs

- Wages
- Bonuses
- Benefits
- PTO Accrual
- Laundry services
- Vehicle expenses
- Supplies (if specific to the provider)
- Cell phone
- CME, including travel
- Insurance: malpractice, health, life, disability
- Licensure & certifications
- Payroll tax
- Business advancement
- 401K
- Labcoat
- Etc.
Ancillary Services

- Lab
- Radiology
- Pharmacy
  - Medication and Device Expense
  - Medication Administration Fees
  - In house or contract pharmacist, if applicable
  - 340B Management
Community Outreach & Education

- Events (exhibit booth rentals, health fairs, conferences)
- Travel Costs
- Marketing & Collateral Materials
- Supplies
Other Costs

- In-Kind Contributions at fair market value
  - Volunteer time for events like flu shot clinics
  - Donated staff
  - Goods or materials donated to program
    - Medical supplies
    - Educational materials
    - Space
  - Lab services provided at no cost by the State or other lab
  - Pharmaceuticals donated by manufacturers
Other Costs

- Indirect or uncategorized costs
- Depreciation
  - Furniture
  - Computer
  - Printers
DETERMINATION OF COST
Determination of Cost

• Use most recent fiscal data available
  – Use 12 consecutive months (fiscal or calendar year)

• Your agency must be able to identify expenses related to Family Planning services
  – Expenses related to other programs or services may not be counted in determining your Title X costs
Be Granular!!!

Think about ANY and ALL expenses related to family planning services
SAMPLE COST ANALYSIS
Cost Analysis Process

- Each agency will be different
  - Different number of providers
  - Different number of locations
  - Different types of services
  - Different budget categories

- The key is to be as detailed and consistent as possible
# Review Sample Cost Analysis

## FAMILY PLANNING SERVICES

<table>
<thead>
<tr>
<th>Fiscal Quarter</th>
<th>Apr-14</th>
<th>May-14</th>
<th>Jun-14</th>
<th>Provider 1 April</th>
<th>May</th>
<th>June</th>
<th>Provider 2 April</th>
<th>May</th>
<th>June</th>
</tr>
</thead>
<tbody>
<tr>
<td>Patient Income by Providers</td>
<td>Assume 2 providers</td>
<td>$10,300.00</td>
<td>$14,950.00</td>
<td>$9,500.00</td>
<td>$5,025.00</td>
<td>$6,055.00</td>
<td>$3,510.00</td>
<td>$5,275.00</td>
<td>$8,895.00</td>
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<tr>
<td>On Call Income</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Income Credit Cards</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Interest Income</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td><strong>Quarter TOTAL</strong></td>
<td><strong>$10,300.00</strong></td>
<td><strong>$14,950.00</strong></td>
<td><strong>$9,500.00</strong></td>
<td><strong>$5,025.00</strong></td>
<td><strong>$6,055.00</strong></td>
<td><strong>$3,510.00</strong></td>
<td><strong>$5,275.00</strong></td>
<td><strong>$8,895.00</strong></td>
<td></td>
</tr>
</tbody>
</table>

## Operating Expenses Distribution 50/50

<table>
<thead>
<tr>
<th>Expense Category</th>
<th>Apr-14</th>
<th>May-14</th>
<th>Jun-14</th>
<th>April</th>
<th>May</th>
<th>June</th>
<th>Apr-14</th>
<th>May</th>
<th>June</th>
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</thead>
<tbody>
<tr>
<td>Advertising</td>
<td>$250.00</td>
<td>$ -</td>
<td>$ -</td>
<td>$250.00</td>
<td>$125.00</td>
<td>$ -</td>
<td>$125.00</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Books and Journals</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Computer Support</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$100.00</td>
<td>$ -</td>
<td>$ -</td>
<td>$50.00</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Computer Software</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Computer Other</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Cooperator Lease</td>
<td>$50.00</td>
<td>$50.00</td>
<td>$50.00</td>
<td>$25.00</td>
<td>$25.00</td>
<td>$25.00</td>
<td>$25.00</td>
<td>$25.00</td>
<td>$25.00</td>
</tr>
<tr>
<td>Dues and Subscriptions</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Insurance (for the business)</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Insurance Liability Office</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Janitorial Services</td>
<td>$35.00</td>
<td>$35.00</td>
<td>$35.00</td>
<td>$17.50</td>
<td>$17.50</td>
<td>$17.50</td>
<td>$17.50</td>
<td>$17.50</td>
<td>$17.50</td>
</tr>
<tr>
<td>Postage and Delivery</td>
<td>$20.00</td>
<td>$20.00</td>
<td>$20.00</td>
<td>$10.00</td>
<td>$17.50</td>
<td>$10.00</td>
<td>$10.00</td>
<td>$10.00</td>
<td>$17.50</td>
</tr>
<tr>
<td>Lease Location(s)</td>
<td>For each location</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Supplies - Marketing</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Supplies - Medical</td>
<td>$250.00</td>
<td>$200.00</td>
<td>$155.00</td>
<td>$125.00</td>
<td>$155.00</td>
<td>$77.50</td>
<td>$125.00</td>
<td>$155.00</td>
<td>$77.50</td>
</tr>
<tr>
<td>Supplies - Office</td>
<td>$150.00</td>
<td>$200.00</td>
<td>$155.00</td>
<td>$75.00</td>
<td>$100.00</td>
<td>$77.50</td>
<td>$25.00</td>
<td>$100.00</td>
<td>$77.50</td>
</tr>
<tr>
<td>Taxes - Property</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Telephone - Answering service</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Telephone - Other (Office telephone)</td>
<td>$150.00</td>
<td>$150.00</td>
<td>$200.00</td>
<td>$75.00</td>
<td>$75.00</td>
<td>$100.00</td>
<td>$75.00</td>
<td>$75.00</td>
<td>$75.00</td>
</tr>
<tr>
<td>Travel and Entertainment</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Utilities - Gas and Electricity</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td><strong>TOTAL OPERATING EXPENSES</strong></td>
<td><strong>$905.00</strong></td>
<td><strong>$470.00</strong></td>
<td><strong>$965.00</strong></td>
<td><strong>$452.50</strong></td>
<td><strong>$527.50</strong></td>
<td><strong>$889.50</strong></td>
<td><strong>$452.50</strong></td>
<td><strong>$527.50</strong></td>
<td><strong>$889.50</strong></td>
</tr>
</tbody>
</table>

## Professional Services Distribution 50/50

<table>
<thead>
<tr>
<th>Service Category</th>
<th>Apr-14</th>
<th>May-14</th>
<th>Jun-14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professional Fees - Accounting</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
</tr>
</tbody>
</table>

**Quarter TOTAL**
How to Conduct the Cost Analysis

Allocate all expenses to the appropriate cost categories associated with the delivery of service

1. Collect cost data and allocate costs to FP
2. Collect Relative Values for services FP provides
3. Collect utilization data on all FP services
4. Determine cost of each service and establish fees based on this information
Record your Cost-Setting Methodology

1. How did you carry out the cost analysis process?

☐ Engaged a third party, please provide name of third party _________________________________

☐ Performed internally by the organization’s accounting department

☐ Performed internally by Family Planning staff

☐ Other, please describe: _________________________________

2. What period is your organization’s fiscal year?

☐ Calendar year

☐ Other (please provide start date)
3. On which reporting period did you base your cost analysis?

- [ ] Calendar year
- [ ] Fiscal year
- [ ] Both (Fiscal year is the same as calendar year)

4. Please attach a PDF version of the itemized expenses included in your cost analysis and the annual cost for each item.

5. How did you determine the value of services?

- [ ] Applied to Medicare Fee Schedule
- [ ] Applied to RBRVS
- [ ] Other, please describe.
6. Please attach a PDF'd list of CPT codes and determine the annual volume for each.

7. Please attach a PDF version of your most recently approved (2014 or 2015) sliding fee scale.

8. If your organization did not conduct your cost analysis according to the methods reviewed during the three part webinar series offered by the CDPHE Family Planning program and presented by RT Welter & Associates, please provide a summary description of the method your organization used.

9. Please provide any comments on the cost analysis process for your organization and the manner in which CDPHE’s Family Planning program collected this information.
Helpful Reminders

You may use any form of cost setting that is appropriate for your setting as long as it can demonstrate how fees are determined on the sliding fee scale.
Helpful Reminders

If your organization has recently updated its cost setting activity, it must have been done in the last 12 months!

April 2017  April 2017
Helpful Reminders

CDPHE is here to help you!

CDPHE Contact for Cost Setting ?s:

Jody Camp
Family Planning Unit Section Manager

jody.camp@state.co.us
303-692-2301
2018 Cost Analysis Timeline

- March
  - 3 (1 hour) web-based training webinars on cost setting
    - Every Monday from 12-1pm
  - Cost Setting Template Distributed
    - You may use any form of cost setting that is appropriate for your setting.
  - Cost Setting Summary Uniform Template Distributed
2018 Cost Analysis Timeline

- April
  - Cost Setting/Cost Analysis process
  - Technical Assistance calls with RTW
    - 30 minute phone consultation and coaching regarding how to perform the cost setting/cost analysis for your organization
    - RTW cannot do your cost analysis
  - Submit your cost analysis to CDPHE
2018 Cost Analysis Timeline

Technical Assistance Contacts:
Todd Welter @ RTWelter

tw@rtwelter.com
303-534-0388

Toni Elhoms @ RTWelter

tmw@rtwelter.com
303-534-0388
2018 Cost Analysis Timeline

• May
  - Cost Analysis is **due by May 1st**
  - RTW will review cost analysis for each organization and provide necessary feedback
    • We may call to ask questions or get more information from you
  - All cost setting activities and updated sliding fee scales must be completed
What’s Next?

• **Webinar 2 – Volume and Value**
  - Determine the value of everything you do
  - Multiply the value by volume
  - Apply the MCR Fee Schedule and RBRVS

• **Webinar 3 – Putting it All Together**
  - Use the information we have learned to develop your fee schedule
  - Use the information we have learned to negotiate with health plans
QUESTIONS?
On Behalf of RTWelter & Associates...

THANKS
for
ATTENDING

CELEBRATING
20
YEARS
OF SERVICE