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**COLORADO**  
Department of Public  
Health & Environment

# 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

R.T. Welter & Associates, Inc.

[www.RTWelter.com](http://www.RTWelter.com)



# 2018 Cost Analysis/Cost Setting

Training Webinars will be:

- March 5<sup>th</sup> from 12-1pm
- March 12<sup>th</sup> from 12-1pm
- March 19<sup>th</sup> from 12-1pm

Webinar recordings are located at:

[www.rtwelter.com/publichealth](http://www.rtwelter.com/publichealth)



# 2018 Cost Analysis/Cost Setting

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



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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



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# 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





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# 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





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# 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



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# **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



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## **Be Granular!!!**

Think about ANY and ALL expenses related to family planning services





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# 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 image shows a screenshot of a complex financial spreadsheet, likely a budget or cost analysis tool. The spreadsheet is organized into columns for months (April, May, June, July, August, September, October, November, December) and rows for various budget categories. The categories include:

- FAMILY PLANNING SERVICES
- Administrative Expenses
- Professional Services
- Assessment Costs
- Assessment Specific Costs
- Assessment Services
- Assessment Network & Education
- Other Costs

The spreadsheet uses color-coding: green for most data cells, blue for total or summary rows, and grey for header or sub-header rows. The bottom of the spreadsheet shows a 'TOTAL EXPENSES' row with a total value of \$1,148,000.00.

- The key is to be as **detailed** and **consistent** as possible





# Review Sample Cost Analysis

| FP Proforma Q v1 Costs 11 7 2014.xls [Compatibility Mode] Microsoft Excel |                           |              |              |             |             |             |              |   |             |             |
|---|---------------------------|--------------|--------------|-------------|-------------|-------------|--------------|---|-------------|-------------|
| HOME INSERT PAGE LAYOUT FORMULAS DATA REVIEW VIEW ACROBAT                 |                           |              |              |             |             |             |              |   |             |             |
| =C24*0.5  |                           |              |              |             |             |             |              |   |             |             |
| A   | B                         | C            | D            | E           | F           | G           | H            | I | J           | K           |
| <b>FAMILY PLANNING SERVICES</b>   |                           |              |              |             |             |             |              |   |             |             |
| Fiscal Quarter  |                           | Apr-14       | May-14       | Jun-14      | Provider 1  |             |              |   | April       | Provider    |
| Patient Income by Providers   | <i>Assume 2 providers</i> | \$ 10,300.00 | \$ 14,950.00 | \$ 9,500.00 | \$ 5,025.00 | \$ 6,055.00 | \$ 3,510.00  |   | \$ 5,275.00 | \$ 8,895.00 |
| On Call income  |                           | \$ -         | \$ -         | \$ -        | \$ -        | \$ -        | \$ -         |   | \$ -        | \$ -        |
| Income Credit Cards   |                           | \$ -         | \$ -         | \$ -        | \$ -        | \$ -        | \$ -         |   | \$ -        | \$ -        |
| Interest Income   |                           | \$ -         | \$ -         | \$ -        | \$ -        | \$ -        | \$ -         |   | \$ -        | \$ -        |
| <b>Quarter TOTAL</b>  |                           | \$ 10,300.00 | \$ 14,950.00 | \$ 9,500.00 | \$ 5,025.00 | \$ 6,055.00 | \$ 3,510.00  |   | \$ 5,275.00 | \$ 8,895.00 |
|   |                           |              |              |             |             |             | \$ 14,590.00 |   |             |             |
| <b>Operating Expenses</b> <i>Distribution 50/50</i>                       |                           |              |              |             |             |             |              |   |             |             |
| Advertising   |                           | \$ 250.00    | \$ -         | \$ 250.00   | \$ 125.00   | \$ -        | \$ 125.00    |   | \$ 125.00   | \$ -        |
| Books and Journals  |                           | \$ -         | \$ -         | \$ -        | \$ -        | \$ -        | \$ -         |   | \$ -        | \$ -        |
| Computer Support  |                           | \$ -         | \$ -         | \$ 100.00   | \$ -        | \$ -        | \$ 50.00     |   | \$ -        | \$ -        |
| Computer Software   |                           | \$ -         | \$ -         | \$ -        | \$ -        | \$ -        | \$ -         |   | \$ -        | \$ -        |
| Computer Other  |                           | \$ -         | \$ -         | \$ -        | \$ -        | \$ -        | \$ -         |   | \$ -        | \$ -        |
| Copier Lease  |                           | \$ 50.00     | \$ 50.00     | \$ 50.00    | \$ 25.00    | \$ 25.00    | \$ 25.00     |   | \$ 25.00    | \$ 25.00    |
| Dues and Subscriptions  |                           | \$ -         | \$ -         | \$ -        | \$ -        | \$ -        | \$ -         |   | \$ -        | \$ -        |
| Insurance (for the business)  |                           | \$ -         | \$ -         | \$ -        | \$ -        | \$ -        | \$ -         |   | \$ -        | \$ -        |
| Insurance Liability Office  |                           | \$ -         | \$ -         | \$ -        | \$ -        | \$ -        | \$ -         |   | \$ -        | \$ -        |
| Janitorial Services   |                           | \$ 35.00     | \$ 35.00     | \$ 35.00    | \$ 17.50    | \$ 17.50    | \$ 17.50     |   | \$ 17.50    | \$ 17.50    |
| Postage and Delivery  |                           | \$ 20.00     | \$ 35.00     | \$ 20.00    | \$ 10.00    | \$ 17.50    | \$ 10.00     |   | \$ 10.00    | \$ 17.50    |
| Lease Location(s)   | <i>For each location</i>  | \$ -         | \$ -         | \$ -        | \$ -        | \$ -        | \$ -         |   | \$ -        | \$ -        |
| Supplies - Marketing  |                           | \$ -         | \$ -         | \$ -        | \$ -        | \$ -        | \$ -         |   | \$ -        | \$ -        |
| Supplies - Medical  |                           | \$ 250.00    | \$ -         | \$ 155.00   | \$ 125.00   | \$ -        | \$ 77.50     |   | \$ 125.00   | \$ -        |
| Supplies - Office   |                           | \$ 150.00    | \$ 200.00    | \$ 155.00   | \$ 75.00    | \$ 100.00   | \$ 77.50     |   | \$ 75.00    | \$ 100.00   |
| Taxes - Property  |                           | \$ -         | \$ -         | \$ -        | \$ -        | \$ -        | \$ -         |   | \$ -        | \$ -        |
| Telephone - Answering service   |                           | \$ -         | \$ -         | \$ -        | \$ -        | \$ -        | \$ -         |   | \$ -        | \$ -        |
| Telephone - Other (Office telephone)                                      |                           | \$ 150.00    | \$ 150.00    | \$ 200.00   | \$ 75.00    | \$ 75.00    | \$ 100.00    |   | \$ 75.00    | \$ 75.00    |
| Travel and Entertainment  |                           | \$ -         | \$ -         | \$ -        | \$ -        | \$ -        | \$ -         |   | \$ -        | \$ -        |
| Utilities - Gas and Electricity   |                           | \$ -         | \$ -         | \$ -        | \$ -        | \$ -        | \$ -         |   | \$ -        | \$ -        |
| <b>TOTAL OPERATING EXPENSES</b>   |                           | \$ 905.00    | \$ 470.00    | \$ 965.00   | \$ 452.50   | \$ -        | \$ -         |   | \$ -        | \$ -        |
| <b>Quarter TOTAL</b>  |                           |              |              |             |             |             |              |   |             |             |
| <b>Professional Services</b> <i>Distribution 50/50</i>                    |                           |              |              |             |             |             |              |   |             |             |
| Professional Fees - Accounting  |                           | \$ -         | \$ -         | \$ -        | \$ -        | \$ -        | \$ -         |   | \$ -        | \$ -        |



# 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)



# Record your Cost-Setting Methodology

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.



# Record your Cost-Setting Methodology

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**





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# 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](mailto: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



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# 2018 Cost Analysis Timeline

## Technical Assistance Contacts:

**Todd Welter @ RTWelter**

**[tw@rtwelter.com](mailto:tw@rtwelter.com)**

**303-534-0388**

**Toni Elhoms @ RTWelter**

**[tmw@rtwelter.com](mailto:tmw@rtwelter.com)**

**303-534-0388**



# 2018 Cost Analysis Timeline

- May
  - Cost Analysis is due by May 1<sup>st</sup>
  - 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



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# QUESTIONS?





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## On Behalf of RTWelter & Associates...

**THANKS**  
for  
**ATTENDING**

