

How to Conduct an Abbreviated Cost Analysis



This job aid outlines all steps necessary to complete an Abbreviated Cost Analysis workbook. Title X grantees can refer to these steps when using the companion Abbreviated Cost Analysis Excel workbook.

Phase 1: Planning for a Cost Analysis

Below are the detailed steps involved in this phase. Note: This workbook can be used to examine an organization's entire scope of services by including all services and all costs (not just Title X costs and services).

Step 1: Orient all grantee and subrecipient staff who will conduct a cost analysis on its methodology, benefits, and procedures.

Timing of Cost Analysis

- The best time to conduct a cost analysis is after the agency's fiscal year-end closeout. Often this is the easiest time to gather the most complete, accurate cost and utilization data.
- Conduct a cost analysis annually, as utilization by service type and costs can vary significantly each year.
- Conduct the cost analysis at the same time each year. This will allow for comparison of like data year to year.

Team Responsible

- Cost analysis data needs to be extracted, reviewed, and analyzed. Fiscal and IT staff members as well as a clinic manager, project staff, and administrative staff are often included in conducting a cost analysis.
- Cost analysis data can be used to inform fee schedules and other business decisions. Depending on the agency, changes may involve staff in leadership positions.

Step 2: Gather family planning cost (e.g., staff and project) data from accounting software.

Agencies should identify direct (project staff, supplies, travel, and consultants), indirect (utilities, rent, legal, and administrative staff), and in-kind (volunteer time, donated space, or services) project costs. Costs related to fundraising—along with other unallowable or restricted expenses such as lobbying, construction, board development, or staff retreats—should be excluded.

Consider the following:

- Use the most recent fiscal data available and note the time period (i.e., calendar year, fiscal year, or other specified year-long time frame).
- Use the same time period/fiscal year for both expenditures and procedures.
- Include cost data for all family planning visits, regardless of the expected pay source for the visit.
- If a family planning project is 100% Title X, all costs should be directly entered into the Cost Calculation tab of the Abbreviated Cost Analysis workbook.
- If a family planning project is part of a larger agency with other programs:
 - » The agency must determine a method for appropriately allocating expenses to family planning. Methods of allocating family planning costs include:

- Percent of the total budget that is family planning
 - Percent of visits or encounters that are family planning
 - Percent of full-time equivalents (FTEs) in family planning compared to all FTEs
 - Other documented system
- » Ascertain that the time staff are allocated to the family planning project is accurate by conducting a time study, weekly time sheets, or one of the methods mentioned above.
- If an agency does not have updated cost data available, consider using the [Title X Cost Gathering workbook](#) methodology to determine cost (expenses).

The following costs do not need to be collected—or should be subtracted—from an agency’s expenses, since they are not included in the Abbreviated Cost Analysis:

- Contraceptives
- Other medications/pharmaceuticals
- In-house, point-of care tests (e.g., HIV rapid tests, urinalysis) and outside laboratory expenses)

Step 3: Gather the Title X family planning utilization data (Current Procedural Terminology (CPT) codes and volume) from electronic health records.

Focus on the utilization or volume of the Title X family planning medical services that the family planning agency provides. Use data collected for the same time period as the time period used for expenses.

Step 4: Gather Relative Value Unit (RVU) data as needed.

Centers for Medicare and Medicaid Services (CMS) publishes RVU data quarterly, and the workbook is pre-populated with 2022 RVU data for 2022. If a family planning agency is completing a cost analysis for fiscal years or calendar years after 2022, it will need to look up additional files from the RVU values from CMS.

Step 5: Gather Geographic Practice Cost Index (GPCI) data as needed.

The workbook is pre-populated with GPCI data for 2022. GPCI is comprised of three adjustment factors based on geographic location. These are applied to each RVU for a CPT code (Work, Practice, and Malpractice). GPICs, along with RVUs, are used to adjust reimbursement rates according to locality.

Step 6: Gather Medicare Conversion Factor (MCF) data as needed.

If a family planning agency is completing a cost analysis after calendar year 2022, the agency will need to update the conversion factor.

CMS Data Files: Relevant data files are updated and published by CMS under Physician Fee Schedules on a quarterly basis and are located [here](#):

- PPRVUXX:
 - » RVUs per CPT code (Physician Expense (Work), Practice Expense, and Malpractice)
 - » MCF (Column Y)
- GPCIXXXX:
 - » GPICs per locality: Physician Expense (Work), Practice Expense, and Malpractice

Select the RVU file with the highest letter attached for the year (i.e., RVUXXB will be more recent than RVUXXA). The “XX” and “XXXX” are connected to the year of the file.

Phase 2: Conducting a Cost Analysis

The Abbreviated Cost Analysis excludes the utilization and costs for laboratory services, contraceptives, and other medications/pharmaceuticals for simplification purposes. Below are the detailed steps involved in this phase.

Step 1: Input cost data into the Cost Calculation tab of Abbreviated Cost Analysis.

Enter cost data in the Cost Calculation tab, Column B. Specific rows include:

- **Total Expenses (Row 8):** enter total project expenses
- To calculate **Total Net Expenses (Row 17)**, reduce Total Expenses by the Reductions in Rows 10–16. These are expenses not directly related to the cost of providing actual medical services. Enter values in Rows 10–16 as negative amounts only.
- **Adjustment Factor (Row 18):** default is 100%. If costs include other services outside of family planning, adjust this percentage to reflect the percentage of costs that are only related to family planning.
- **Row 19** automatically calculates Net Expenses once Total Net Expenses are calculated and the Adjustment Factor is entered.

Step 2: Input utilization data (CPT codes and volume) into the Utilization Cost and Data tab of the Abbreviated Cost Analysis for medical services provided.

This step focuses on services provided in the Title X Program and the associated utilization of these services.

- Enter the utilization or volume per CPT code for all medical services provided in Column C, Utilization. These codes include:
 - » Evaluation and Management Codes: Extract the utilization data for all Evaluation and Management services provided.
 - » Education and Counseling Codes: Extract the utilization data for all Education and Counseling services provided, including 99401 (Preventative Individual Counseling, 15 minutes) and 99402 (Preventative Individual Counseling, 30 minutes).
 - » Office Procedure Codes: Extract utilization data for all Office Procedures provided, including 11981 (Nexplanon Insertion) and 11982 (Nexplanon Removal).
 - » If a family planning agency provides additional Title X family planning services not listed in the Utilization and Cost Data tab of the Abbreviated Cost Analysis, insert the corresponding codes and utilization data in spaces provided in each category (Evaluation and Management; Education and Counseling; and Office Procedures).
- Columns D–M will auto-populate based on utilization.

Step 3: Input updated RVU data as needed (2022 data is pre-populated, but enter data identified in Phase 1 when conducting the cost analysis in subsequent years).

- The Utilization tab of the Abbreviated Cost Analysis has pre-filled RVUs for common family planning services in three categories: Evaluation and Management; Education and Counseling; and Office Procedures.
- Determine if a family planning agency will need to add additional RVUs for each additional CPT code or service provided. The Utilization tab includes blank lines to add additional medical services provided.
 - » Enter the RVUs (Work, Practice, and Malpractice) for each additional CPT code. A limited number of CPT codes that may be relevant to a family planning project are found on the third tab, CMS FILE_RVUs. Additional CPT codes not included in the tool can be found in RVU files from Phase 1.

- If completing the cost analysis after 2022, enter the RVU values identified in Phase 1 for each of the CPT codes in the Utilization and Cost Data tab.

Step 4: Input GPCI data.

2020 data are pre-populated, but enter data identified in Phase 1 when conducting the Cost Analysis in subsequent years. Adjust for the agency's geographic area and determine the GPCIs.

- Look up GPCI data in the fourth tab, GPCIs. This data is for calendar year 2022 only. Note the Work GPCI, Practice GPCI, and Malpractice GPCI for the closest region. Copy these GPCIs into cells **C62**, **C63**, and **C64** in the Utilization tab. The default for each factor is 1.00. Agencies may also want to add the name of the corresponding region used for reference into cell **B60**.
- If completing the cost analysis for a year after 2022, enter the GPCIs identified in Phase 1.

Step 5: Input the updated MCF as needed

2022 data is pre-populated, but enter data identified in Phase 1 when conducting the Cost Analysis in subsequent years. The MCF is a value used in Medicare's payment formula that converts RVUs into Medicare-allowed payment amounts. Most third-party payers (TPPs) use the MCF as a base to inform and set their CPT reimbursement rates.

- The conversion factor is prefilled for calendar year 2022 in cell **D66** in the Utilization tab. The corresponding label is noted in cell **A66** (i.e., CY2022).
- If a family planning agency is completing a cost analysis after calendar year 2022, update the conversion factor and label as identified in Phase 1.

Phase 3: Using Cost Analysis Data

Step 1: Use the Abbreviated Cost Analysis workbook to document pertinent CPT reimbursement rates and the agency's charges, and interpret cost analysis results.

After entering all of the cost, utilization, RVU, GPCI, and MCF data, the workbook will automatically calculate on the Utilization tab, as will the cost per RVU (in cell L61). The cost per RVU is important, as it is used to calculate the cost of delivering each service. An agency's cost per CPT code (or service) is calculated by multiplying the RVUs per CPT code by the cost per RVU value. Additionally, the cost per RVU is important as it is used to calculate the comparison ratio (**Q61**), which is calculated by dividing the cost per RVU by the MCF. This ratio helps to determine if services are above, below, or on par with what Medicare and other TPPs expect to pay for services. For more information on interpreting the cost per RVU data, refer to [Recommended Analyses to Utilize With Results of Cost Analysis](#).

Additional data may help to further inform full fee updates.

The Utilization tab has four additional columns:

- **Column N, Current fee (or charge):** enter the current charge for each CPT code or service provided to compare its fee to the cost of providing a particular service.
- **Column P, Medicaid reimbursement:** enter the reimbursement rate for each CPT code or service provided.
- **Column Q, Highest Private Insurance (PI) reimbursement:** enter the highest reimbursement rate for each CPT code or service provided.
- **Column O, New fee (or charge):** Once Columns N, P, and Q are entered, compare the costs per CPT to the current fees and reimbursement from TPPs (Medicaid and PI) to assess if a new fee should be proposed, which can be entered in column O.

Having all of this data (cost per CPT, current fee, and reimbursement rates from TPPs) on the same spreadsheet enables a Title X grantee and/or subrecipient to easily inform establishing or updating of full fees for each service and make data-driven decisions. Refer to [Using Cost Analysis Data to Support Quality Improvement workbook and job aid.](#)

One analysis method to use when adjusting New Fee (or charge) (Column O), is to compare the Expected Medicare Payment (Column K) to Your Service Costs (CPT) in Column L. The Expected Medicare Payment (Column K) is an important data point in this process, as the Medicare reimbursement rate is often used as a basis for setting reimbursement rates with TPPs.

Additional action steps to consider:

- Inform full fee establishment/updating process for each service provided
- Develop or revise sliding fee discount schedule based on new full fee schedule
- Measure clinical services provider productivity
- Provide analysis and/or technical assistance to subrecipients
- Conduct project management based on findings/analysis

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