

**Q&A Summary for *Cost Analysis Basics* (2/3/16)**

#	Questions	Answers
1.	In the ABC HIV clinic example, you mentioned that they have an indirect cost (IDC) rate of 25%. That is much more than the 10% IDC allowed by HAB. Should we use our actual IDC or the 10% allowed by HAB?	The goal of cost analysis is to determine the extent to which an insurer or grant funder is covering your actual costs. To this end use your actual IDC. Cost analysis should be based on your actual costs, rather than the ceiling set by HAB or other funders.
2.	Our HIV clinic is a non-profit corporation. Can we include a small amount of profit when calculating our costs related to providing care to Medicaid managed care patients?	Yes. Your non-profit corporate status does not preclude your agency from making a profit. In negotiating a contract, Check with the managed care plan about any Medicaid requirements regarding cost inputs allowed for managed care provider network members and requirements for disclosure of charges.
3.	Cost analysis seems really hard and requires a lot of data and math. We are a small non-profit agency with a part-time bookkeeper. How realistic is it for us to calculate our costs?	Check with your bookkeeper to find out if he or she is familiar with cost analysis. If other resources are needed, you might check with accounting or healthcare consulting firms in your community who might be able to provide cost analysis for free. Your agency size and non-profit status may fit their community giving efforts.
4.	If we analyze our costs and find that insurance payments are inadequate, what do we do next?	You should consider your cost inputs and identify ways to reduce your costs. CRE may be able to help you develop a strategy for cost reduction.
5.	Should estimates be used if hard data can't be obtained? And if so, what would be a threshold on estimates?	To the extent possible, you should use actual accounting data to ensure the accuracy of your cost calculations. Estimates are likely to vary based on their source, data collection process, etc. Your agency's accountant or bookkeeper is likely to have the data needed to compute your costs. We recommend requesting <a href="#">TA from CRE</a> if data are unavailable.