



Making Data Count

Measuring Diabetes and Obesity in the Indian Health System

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Cost Accounting in the Indian Health System

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Managerial Cost Accounting in the Indian Health System

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Topics

- What is Managerial Cost Accounting?
- Why should we do it?
- Examples of how we currently do it
- What more can we do?

What is Managerial Cost Accounting?

- Financial Accounting is intended to meet the needs of outside users.
- Budgetary (Fund Accounting) is what governments use to track compliance with appropriations.
- Managerial Accounting is intended to facilitate informed decision making within the organization. Cost accounting is a specific function within managerial accounting to determine the costs of outputs and/or performance

What is Managerial Cost Accounting?

- Important Concepts
 - SFFAS #4 (GAAP for Feds) requires managerial cost accounting
 - Matching of Time Frames
 - Accrual vs. Cash
 - Overhead – to what detail
 - Federal vs. Commercial Financial systems

What is Managerial Cost Accounting?

- SFFAS #4 (GAAP for Feds) requires managerial cost accounting:
 - “Managerial cost accounting should be a fundamental part of the financial management system. The managerial cost accounting concepts and standards contained in this statement are aimed at providing reliable and timely information on the full cost of federal programs, their activities, and outputs. The cost information can be used by the congress and federal executives in making decisions about allocating federal resources, authorizing and modifying programs, and evaluating program performance. The cost information can also be used by program managers in making managerial decisions to improve operating economy and efficiency.”

What is Managerial Cost Accounting?

- Matching of Time Frames
 - Costs must be cut-off in increments that facilitate matching with revenues or counts
 - Capturing complete month-end or year-end costs is a requirement for proper costing

What is Managerial Cost Accounting?

- Accrual vs. Cash
 - Annual purchases must be reflected as costs in the period where the benefit occurs.

What is Managerial Cost Accounting?

- Overhead – to what detail
 - Too much detail can prevent the measurement from ever starting
 - Starting is important, refining the detail can follow

What is Managerial Cost Accounting?

- Federal vs. Commercial Financial systems
 - Federal Financial systems have robust budgetary accounting, but limited proprietary or commercial accounting features. Accrual accounting and appropriate month end/year end cut-offs are difficult in federal systems.

Why should we do it?

- Managerial Cost Accounting will help us:
 - make more informed decisions
 - focus on problem aspects of our processes
 - document our needs/requirements
- Managerial Cost Accounting is a regulatory requirement for federal entities

Examples of how we currently do it

- IHS does not have a centralized cost accounting system.
- Examples of some cost accounting methods used in IHS:
 - Cost Reports
 - Matching of productivity / revenue
 - Benchmarking of costs to like facilities

Examples of how we currently do it

- Cost Reports
 - Performed annually for each IHS hospital
 - Based on financial system costs + workload counts from RPMS + time studies and estimates
 - Determines the reimbursement rate received for the following year
 - Includes allocations of overhead

Examples of how we currently do it

- Matching of productivity / revenue
 - Provider counts can be benchmarked against other providers
 - # of providers and # of visits can be compared to revenue for that site

Examples of how we currently do it

- Benchmark costs between similar facilities
 - Can be performed at an area or national level
 - Can be performed at a cost center level
- Benchmarking costs to similar programs

What more can we do?

- Lots
- UFMS offers new opportunities for tracking costs with Projects Module
- UFMS can accept a feed of numerical counts to facilitate comparisons
- UFMS will have an income statement to match revenues with expenses.