

Cost Accounting in IVF

Section IVF – (Model- Client Data Removed, Not Shown in Its Entirety)

All departments’ expenses and revenue have been separated into profit centers. Revenue previously considered a part of IVF, i.e. embryology procedures, is now allocated to the profit center where the “work” occurs (Embryology Department). The cost of an IVF cycle is the sum of the procedures conducted in these departments. All IVF procedures are listed and summarized in Table VI page eight.

The reconstructed budget for IVF is shown on Table I, page 9. Salary and Shared Services expenses have been distributed between the IVF, Donor Egg, and Reproductive Medicine budgets. This adjustment was necessary because virtually all salary expense for the department was accounted to the IVF budget. Formal separation of the budgets into profit centers will greatly facilitate analysis of profitability and enhance managers’ ability to monitor and control costs.

CPT codes are separated into profit centers for the derivation of revenue. The procedures included in the IVF profit center are shown below in Table II. Other procedures comprising IVF, such as embryo transfers, are analyzed in the appropriate section of the cost analysis.

Chart I graphically demonstrates expenses by category.

Chart I- IVF Profit Center Expenses by Category

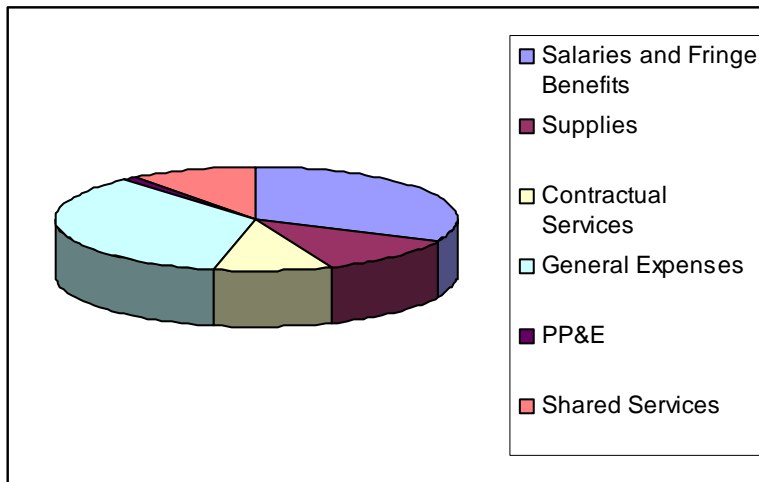


Table II- IVF Profit Center Procedures

CPT	PROCEDURE	YTD \$	YTD # PROC
	ECHO EXAM TRANSVAGINAL		
	EMBRYO TRANSFER, INTRAUTERI		
	OFFICE VISIT, LEVEL 2, ESTA		
	OFFICE VISIT, NEW, LEVEL 5		
	FOLLICLE MPUNCTURE FOR OOCY		
	Total Major Procedures		

Total IVF

Overhead

Overhead consists of expenses that cannot be accounted to specific procedures. Included are Supplies, Contractual Services, General Expenses, and Shared Services. “Salary and Fringe Benefits” expenses for patient care providers are not included because labor is accounted to each procedure. Administrative labor is distributed equally between the Reproductive Medicine, IVF, and Donor Egg budgets. Ideally, every profit center that consumes administrative labor should “carry” some of its overhead.

Table III- IVF Profit Center Overhead

Budget Category	Expense
Administrative Salary and Fringe Benefits	
Supplies	
Contractual Services	
General Expense	
PP&E	
Shared Services	
Total	
Redistributed Overhead	
Cost Acct Procedures Overhead (1)	

(1) Cost of ultrasound equipment deducted and allocated directly to ultrasound procedure.

IVF overhead totals and is outlined in Table III above. Overhead is derived from the sum of the IVF, Donor Egg, and Reproductive Medicine budgets. Expenses for the three departments’ totals and one third is allocated to the IVF budget . Ninety one percent of this expense is allocated to the cost accounted procedures (based upon 91% revenue contribution). “Salary” expense represents administrative labor.

This allocation algorithm is necessary because many of the procedures (i.e. office visits) occur in all three departments. Derivation of procedure overhead for each profit center would yield a different cost for the same procedure. This is because the overhead allocation would vary by department. “Sharing” the overhead between these three profit centers is reasonable given the similarity of procedures. Also, expenses are not necessarily allocated to the budgets where they are incurred. For example, all of the ultrasound expense is allocated to Reproductive Medicine yet the machines are also used by the IVF and Donor profit centers.

It is important to remember that other IVF procedures occur outside of the IVF profit center, i.e., semen analysis, culture, fertilization, and some office visits.

Overhead by procedure is calculated by determining each procedure’s contribution to revenue. This percentage is used to distribute overhead. In Table III below, CPT code 76830 contributes of revenue so ultrasounds receive of the overhead. Overhead per procedure is derived by dividing the total overhead by the number of procedures. The procedures and their overhead are shown in Table III below.

Table III- Overhead/Procedure

CPT	PROCEDURE	YTD \$	YTD # PROC	OVERHEAD ALLOCATION	OVERHEAD/PROC
76830	ECHO EXAM TRANSVAGINAL				
58974	EMBRYO TRANSFER, INTRAUTERI				
99212	OFFICE VISIT, LEVEL 2, ESTA				
99205	OFFICE VISIT, NEW, LEVEL 5				
58970	FOLLICLE MPUNCTURE FOR OOCY				

Procedure Costs

It is important to remember that “cost” is not equivalent to price. Technically, an office visit, 99212, will cost more for an IVF patient than for a non-IVF patient. This is because the Nurse Coordinator spends forty-five minutes with each IVF patient and her labor generates cost. Rather than include her cost in CPT 99212, a separate category CPT 99212NC is created. According to the physician and nurse time studies, IVF patients require more labor and separate categories are created for these costs.

Transvaginal Ultrasound-76830

The overhead for each transvaginal ultrasound procedure is . This calculation is discussed in the Reproductive Medicine section of these analyses. The physician time study indicates an average of minutes is required to conduct an ultrasound . This time includes direct and indirect patient care. Similarly, the nurse time study indicates that an average of minutes are required . Materials are listed in the Reproductive Medicine section and total .

Additionally, the cost to lease and/or maintain the ultrasound equipment has been isolated. This cost is per procedure and is treated as direct overhead. Expenses for the ultrasound equipment have been removed from general overhead. The “per-procedure” allocation is based upon transvaginal ultrasounds. Other types of ultrasounds are conducted but their contribution to revenue is small.

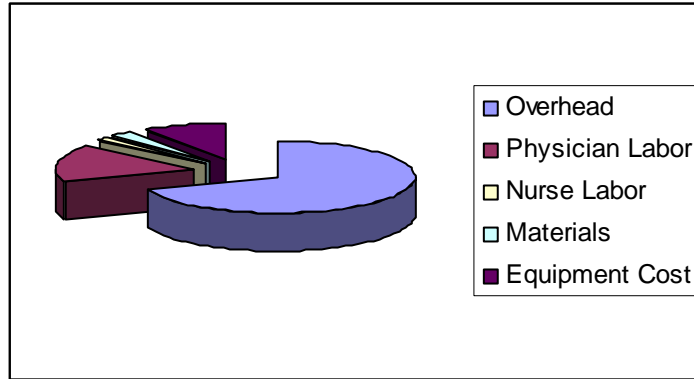
Materials, labor, equipment and total costs are illustrated in Table IV below.

Table IV- Transvaginal Ultrasound Cost

ITEM	COST
Overhead	
Physician Labor	
Nurse Labor	
Materials	
Equipment Cost	
Total	

The “average” IVF patient requires ultrasounds yielding a cost of .

Chart II- Transvaginal Ultrasound Cost Components



Analyses Continue.