

# Unit of Service Costing Exercise

**Analysis of the  
Alaska Two Moons  
Behavioral Health Program: Part 1**



# Fact Sheet for Two Moons

- Expenses for the past fiscal year included:
  - Salary and fringe benefits: \$ 700,000
  - Other direct expenses: \$ 200,000
  - Indirect expenses: \$ 100,000
- A time study along with assigned budgeted positions confirms the following assignment of salary and fringe costs:
  - Administration \$ 160,000
  - Residential Treatment \$ 400,000
  - Outpatient—Substance Abuse \$ 65,000
  - Outpatient—Mental Health \$ 75,000

# Fact Sheet for Two Moons--continued

- The other direct expenses of \$200,000 were reported from the accounting system for each service as follows:
  - Administration \$ 30,000
  - Residential Treatment \$120,000
  - Outpatient—Substance Abuse \$ 10,000
  - Outpatient—Mental Health \$ 40,000

# Fact Sheet for Two Moons--continued

- The indirect expenses have been assigned to the services using square footage for general building costs (namely, rents, insurance, utilities) and building depreciation.

• Administration	\$ 10,000
• Residential Treatment	\$ 80,000
• Outpatient—Substance Abuse	\$ 5,000
• Outpatient—Mental Health	\$ 5,000

# Fact Sheet for Two Moons--continued

- The assignment of administration was planned based on the total direct and indirect of the units providing external customer services (namely, the residential treatment and outpatient services).
- The unit of service definition was to be the *day of service* for the residential program while a *hour of client contact* would serve as the unit of service for the outpatient programs .

# Fact Sheet for Two Moons--continued

- From the statistical information system, the following units of service were recorded during the current fiscal year:
  - Residential Treatment                      7,500 days
  - Outpatient—Substance Abuse              2,000 hours
  - Outpatient—Mental Health                1,875 hours
- **REQUIRED:** Using the following spreadsheet, perform a service costing for Alaska Two Moons with the objective of determining the *cost per unit of service* for each major service (round to the nearest dollar).

Type of expense	Total Cost	Admin	Res/ SA	O/P SA	O/P MH
<b><i>Direct:</i></b>					
Salary					
Other					
<b><i>Indirect:</i></b>					
<b><i>Total Cost</i></b>					