

HOSPITALS: DENTAL CLINICS COST ACCOUNTING AND REPORTING

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HOSPITALS: DENTAL CLINICS COST ACCOUNTING AND REPORTING

I. INTRODUCTION

This chapter sets forth the uniform procedures for recording and reporting the fiscal operating results of the on-campus and community dental clinics operated by the Los Angeles and San Francisco campuses. It is intended that financial accounting for the clinics be conducted in accordance with chapter H-576, Hospitals and Clinics, which provides general guidelines for cost determination, establishment of patient service charges, use of State appropriations, e.g., the Dental Teaching Fund (DTF), and use of the fund balance (Equity in Current Assets). These fiscal policies: (1) are based on generally accepted accounting principles, including the accrual method of accounting; (2) require that cost analysis be performed to determine full costs (including direct and indirect costs) of providing services to patients; and (3) specify that, where possible, rates of charge established for commodities and services provided to patients be based on full costs.

I. II. PROCEDURES

A. COST IDENTIFICATION AND RECORDING

Cost finding is the allocation of the costs (direct and indirect) of the nonrevenue producing cost centers to each other and to the revenue producing centers on the basis of statistical data that measure the amount of service rendered by each center to the other centers. The purpose of cost finding is to determine the total or full costs of operating the revenue producing centers of the clinics. All costs associated with the operation of the dental clinics, both direct and indirect, are to be identified.

1. Direct Costs

Direct costs are those readily identifiable costs directly associated with the operation of the dental clinics. These costs shall be recorded in the general ledger in accounts assigned to the dental clinics and may include any of the following types of cost:

- 1) Salaries and wages, including associated employee benefits
- 2) Supplies and other general expenses
- 3) Malpractice insurance
- 4) Laundry and linen
- 5) Equipment and building depreciation
- 6) Interest
- 7) Recharges from other University functions

II. PROCEDURES (Cont.)

B. COST IDENTIFICATION AND RECORDING (Cont.)

1. Direct Costs (Cont.)

Wherever possible, costs of any functions performed by dental school personnel that directly benefit the operation of the dental clinics should be recorded as dental clinic direct costs. Otherwise, these costs should be identified and reported as indirect costs.

2. Indirect Costs

Indirect costs are those costs recorded in the general ledger, in other than dental clinic accounts, that can be identified as benefiting dental clinic operations. Such costs are generally recorded in a dental school, teaching hospital, or general campus general ledger account. Some examples are the following:

- 1) Plant operation and maintenance costs, e.g., costs of utilities, security, repairs, elevators, and refuse disposal.
- 2) Housekeeping costs, e.g., costs of general cleaning and waxing.
- 3) Transportation costs, e.g., costs of shuttle operations between University locations.
- 4) Administration costs, e.g., costs of personnel office, accounting, purchasing, data processing.

Indirect costs shall be allocated to patient service centers in accordance with generally accepted cost allocation procedures.

C. REVENUE RECORDING

The fees charged for patient care services in the clinics are established based on the total, direct and indirect, costs of providing the service less the estimated amount from the Dental Teaching Fund required to cover identifiable teaching costs. Service fees are established on this basis in order to assist in attracting an appropriate number of patients for the clinical teaching program. Revenue derived from service fees charged to patients is recorded when it is earned, i.e., at the time the related services are rendered and the clinic has either received cash or has a legal claim against the patient for the value of the services provided. Patient revenue is to be recorded daily as part of the process of posting to individual patient accounts the individual charge documents reflecting the clinic services rendered during the day. Incidental to the patient care operations of the clinics, there may be a variety of nonpatient transactions which should be reported as "Other Operating Revenue." At the end of the month, all revenue data processed during the month shall be recorded in the general ledger by means of a journal entry.

D. DENTAL TEACHING FUND (STATE SUPPORT)

As indicated in chapter H-576-73, Clinical Teaching Support, State support for the dental clinics, referred to as DTF, shall be utilized at the dental clinics solely to offset identifiable teaching costs incurred in this ambulatory care service that are attributable to the presence of students. Use of State support in the dental clinics for such teaching costs, rather than as support for individual and contractual allowances or for disallowed services on patient accounts, was approved in November 1982. All dental clinic patients are expected to pay for services at established charges which are to be determined as described in section B, above. Financial screening of patients is necessary only to determine whether the patient or a third party sponsor will pay the charge and not to determine the amount of DTF to be applied to the patient's account.

E. EQUITY IN CURRENT ASSETS ACCOUNT

An Equity in Current Assets account shall be established to record, as sources of funds, annual operating gains depreciation on University owned equipment, buildings, and leasehold improvements related to patient care and other related items, e.g., gain on sale of assets. This account shall be charged with expenditures for capital improvements related to patient care, including equipment and facilities modifications, to cover an annual operating loss or year-end deficiency in DTF, and for other related purposes, e.g., loss on sale of assets. The balance in the Equity in Current Assets account at year-end shall be equal to or more than the funded depreciation recorded for all inventorial equipment during the year just ended.

F. REPORTING OPERATING RESULTS

Dental clinic revenue (including DTF), expense, net gain or loss, and other statistics shall be reported quarterly, utilizing the attached Exhibit A, Statement of Operations, format, to the following persons: Chancellor, Dental School Dean, Fiscal Officer for the Dental Clinics, Campus Budget and Accounting Officer, Senior Vice President--Administration, Vice President--Health Affairs, and Vice President--Budget and University Relations. A separate report should be prepared quarterly for each clinic location (on-campus and community), and a consolidating report also should be prepared for all locations. Quarterly reports should be received no later than 45 days after the end of the quarter being reported. Instructions for preparation of the quarterly report schedules are included in Exhibit A.

II. RESPONSIBILITY

The campus accounting officer and the dental clinic financial director, or persons acting in those capacities, are responsible for compliance with and implementation of the policy and procedures set forth in this chapter.

Historical note: This chapter supersedes Business and Finance Bulletin A-50, Dental Clinic Costing Procedures, and updates the material formerly contained in that Bulletin. Accounting Manual chapter first published 11/1/88; analyst--John Turek.

EXHIBIT A: STATEMENT OF OPERATIONS

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UNIVERSITY OF CALIFORNIA

_____ Dental Clinic
Statement of Operations
Period Ending: _____

Summary of Revenue and Expense

Schedule A
(Dollars in Thousands)

	Year-to-Date		Full Year	
	Current Year Actual	Prior Year Actual	Current Year Projected	Prior Year Actual
Operating Revenue:				
Patients	\$ _____	\$ _____	\$ _____	\$ _____
Other	_____	_____	_____	_____
Total Operating Revenue	_____	_____	_____	_____
Operating Expense:				
Direct				
Indirect	_____	_____	_____	_____
Total Operating Expense	_____	_____	_____	_____
Less: Dental Teaching Fund				
Net Operating Expenses	_____	_____	_____	_____
Operating Gain (Loss)	_____	_____	_____	_____
Non Operating Revenue & Adjustments (1)				
Net Gain (Loss)	\$ _____	\$ _____	\$ _____	\$ _____

(1) Explain sources of revenue or adjustments.

Utilization of Facilities

Schedule A-1

	Year-to-Date		Full Year	
	Current Year Actual	Prior Year Actual	Current Year Projected	Prior Year Actual
Patient Activity:				
Clinic Sitzings				
Dental Proc. Performed	_____	_____	_____	_____
<u>Clinical Students:</u>				
3rd & 4th Year DDS				
Graduate Professional	_____	_____	_____	_____
Total Clinical Students	_____	_____	_____	_____
Total Clinic Sitzings Per Clinical Student	_____	_____	_____	_____

EXHIBIT A: (Cont.)

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UNIVERSITY OF CALIFORNIA

_____ Dental Clinic

Statement of Operations
Period Ending: _____

Analysis of Equity in Current Assets Account

Schedule B

(Dollars in Thousands)

	<u>Current</u> <u>Year-to-Date</u>	<u>Prior</u> <u>Year-to-Date</u>
Balance at Beginning of Year	\$ _____	\$ _____
SOURCES OF FUNDS:		
Operating Gain Year-to-Date		
Depreciation of Buildings		
Depreciation of Equipment		
Prior Year Adjustments		
Other (specify)	_____	_____
Total Sources of Funds	_____	_____
APPLICATION OF FUNDS:		
Net Loss Year-to-Date		
Expenditures for Equipment		
Other (specify)	_____	_____
Total Application of Funds	_____	_____
Balance at End of Period	\$ _____	\$ _____

EXHIBIT A: (Cont.)

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UNIVERSITY OF CALIFORNIA

_____ Dental Clinic

Statement of Operations
Period Ending: _____

Allocation and Utilization of Dental Teaching Fund

Schedule C
(Dollars in Thousands)

	<u>Current Year</u>	<u>Prior Year</u>
Annual Allocation	\$	\$
Less: Budgetary Savings Target	_____	_____
Net Allocation Available		
Total Utilization (year-to-date)	_____	_____
Annual Allocation Remaining		
Less: Requirement to End of Year	_____	_____
Estimated Excess (Deficit) at End of Year	\$ _____	\$ _____

EXHIBIT A: (Cont.)

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UNIVERSITY OF CALIFORNIA

_____ Dental Clinic

REPORT OF COSTS FOR THE PERIOD _____

Schedule D
(\$ in thousands)

<u>Cost Elements</u> <u>Year</u>	<u>Current Period</u>		<u>Year to Date</u>	
	<u>Current Year</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Prior</u>
Direct Costs:				
Salaries and Wages				
Employee Benefits				
Supplies and Expense				
Depreciation:				
Equipment				
Buildings				
Malpractice Insurance				
Laundry				
Other	_____	_____	_____	_____
Total Direct Costs	_____	_____	_____	_____
Indirect Costs:				
General Services				
Operation/Maintenance Plant				
Other	_____	_____	_____	_____
Total Indirect Costs	_____	_____	_____	_____
Total Costs	_____	_____	_____	_____

EXHIBIT A: (Cont.)PREPARATION INSTRUCTIONS FOR QUARTERLY STATEMENT OF OPERATIONS

The Dental Clinic Statement of Operations is designed as a management report and consists of a narrative and schedules A through D as follows:

Narrative

Schedule A:	Summary of Revenue and Expense
Schedule A-1:	Utilization of Facilities
Schedule B:	Analysis of Equity in Current Assets Account
Schedule C:	Allocation and Utilization of Dental Teaching Fund
Schedule D:	Report of Costs

Narrative

A narrative analysis of operations for the past quarter should be included with each quarterly report. The narrative should include comments regarding patient and financial highlights for the past quarter and for prior operating periods.

Schedule A: Summary of Revenue and Expense

This schedule includes revenue earned, expenses incurred, and net gain or loss generated by the clinic for the current and prior years to date; the same information is projected for the current year and compared with prior year actual results.

Operating Revenue should include all operating revenue generated for the report period and should be separated into Patient Revenue and Other Revenue. Patient Revenue is reported at the full clinic rates and includes all patient care services rendered by the clinic. Other revenue is that which is generated in the normal course of operation, but is not directly related to patient care.

Operating Expense consists of all operating expenses (direct and indirect) incurred in the generation of revenue for the report period.

Dental Teaching Fund (DTF) is the amount of State funds available to offset identifiable teaching expenses incurred in the services that are attributable to the presence of students.

Non-Operating Revenue includes such items as interest income, gifts which have no donor-imposed restrictions, and gains or losses on the sale of equipment. Adjustments are any changes to prior year operating results such as adjustments to reimbursement, workers' compensation, gain or loss on sale of assets, etc.

EXHIBIT A: (Cont.)

Schedule A-1: Utilization of Facilities

This schedule is a report of year-to-date actual and full year projected patient services and student statistics compared to the prior year. Dental procedures are the individual units of service recorded in the usual and customary practice of dentistry by a dentist or dental student during a patient sitting.

Clinic sittings include the number of separate and distinct times that a patient is seen by a dentist or dental student.

Schedule B: Analysis of Equity in Current Assets Account

This schedule reports the beginning balance, sources and applications of funds, and ending balance of the Equity in Current Assets Account. The beginning balance must agree with the balance at the end of the prior year. The Net Gain or Loss must agree with that shown on Schedule A. Other sources or applications of funds, e.g., gain (loss) on the sale or disposition of assets, must be explained in a footnote.

Schedule C: Allocation and Utilization of Dental Teaching Fund

This schedule reports the approved uses of the Dental Teaching Fund as reported earlier in this chapter. The Annual Allocation is the total amount of DTF allocated by the Office of the President. A budgetary savings target may be assigned by the Chancellor on the DTF allocation. Total DTF utilization must agree with the amount shown on Schedule A on the line entitled Dental Teaching Fund.

Schedule D: Report of Costs

All costs are to be recognized and recorded in the General Ledger Accounts of the dental clinics. This includes both direct and indirect costs. This schedule reports costs for the current year and the prior year for both the current reporting period and year-to-date.

A. Direct Costs

Direct costs are all readily identifiable costs associated with the Administration and the operation of the dental clinics. In this regard, where applicable, dental school costs should be segregated from dental clinic costs so that the costs of any functions performed by dental school personnel that directly benefit the Administration and operation of the dental clinics are properly recorded as dental clinic costs.

Direct costs will include the following:

- 1) Salaries and wages including associated employee benefits
- 2) Supplies and other general expenses
- 3) Equipment and building depreciations
- 4) Malpractice Insurance
- 5) Laundry

EXHIBIT A: (Cont.)

The direct costs of dental clinics should be computed and recorded in accordance with Business and Finance Bulletin A-47, University Direct Costing Procedures.

B. Indirect Costs

Indirect cost are those costs related to the services generally provided without charge by central campus units. These will include the costs listed for each dental clinic on Exhibits B and C. To ensure that comparable costs are recorded for each dental clinic, all indirect costs should be allocated in accordance with the formulas presented in Exhibits B and C.

EXHIBIT B: UCLA DENTAL CLINIC--INDIRECT COST ALLOCATION FORMULAS

A. General Services Cost Element--Based on Prior Year Expenses of the Following Cost Components:

1. Personnel Cost

$$\frac{\text{Total Hospital Personnel Expense}}{\text{Total Hospital and Dental Clinic Expenses Minus Hospital Personnel Expense}} \times \text{Total Dental Clinic Expense}$$

2. Accounting Cost

$$\frac{\text{Total Hospital Accounting Expense}}{\text{Total Hospital and Dental Clinic Expenses Minus Hospital Accounting Expense}} \times \text{Total Dental Clinic Expense}$$

3. Purchasing Cost (Includes Inventory and Receiving Costs)

$$\frac{\text{Total Hospital Purchasing Expense}}{\text{Total Hospital and Dental Clinic Expenses Minus Hospital Purchasing Expense}} \times \text{Total Dental Clinic Expense}$$

4. Volunteer Cost

$$\frac{\text{Total Hospital Volunteer Expense}}{\text{Total Hospital and Dental Clinic Expenses Minus Hospital Volunteer Expense}} \times \text{Total Dental Clinic Expense}$$

5. Employee Medical Facility Cost

$$\frac{\text{Total Hospital Employee Medical Facility Expense}}{\text{Total Hospital and Dental Clinic Expenses Minus Hospital Employee Medical Facility Expense}} \times \text{Total Dental Clinic Expense}$$

6. Data Processing Cost

$$\frac{\text{Total Hospital Data Processing Expense}}{\text{Total Hospital and Dental Clinic Expenses Minus Hospital Data Processing Expense}} \times \text{Total Dental Clinic Expense}$$

EXHIBIT B: (Cont.)B. Operation/Maintenance of Plant Cost Element--Based on Prior Year Expense of the Following Cost Components:1. Plant Operation and Maintenance Cost

Included are expenses for the following services: Building Coordinator, Ground Maintenance, Building Maintenance (includes Utilities & Refuse expense), Security, Elevators, Bio-Med Engineering (Environmental Health & Safety), and Furniture Maintenance.

Dental Clinic Square Feet
Total Hospital and Dental
Clinic Square Feet

X Total Expense of Each of the
Hospital Services Listed Above

2. Housekeeping Costs

Dental Clinic Square Feet
(adjusted for cleaning factor)
Total Hospital and Dental Clinic
Square Feet (adjusted for
cleaning factor)

X Total Hospital Housekeeping
Department Expense

EXHIBIT C: UCSF DENTAL CLINIC INDIRECT COST ALLOCATION FORMULAS

A. General Services Cost Element--Based on Prior Year Expenses of the Following Cost Components:

1. Personnel Cost

Total Campus Personnel Office Expense X Total Dental Clinic
Total Campus Expense Minus Student Aid Expense
and Campus Personnel Office Expenses

2. Accounting Cost

Total Campus Accounting Office Expense X Total Dental Clinic
Total Campus Expense Minus Student Aid Expense
and Campus Accounting Office Expenses

3. Purchasing Cost

Total Campus Purchasing Dept. Expense X Total Dental Clinic
Total Campus Expense Minus Student Aid Expense
and Campus Purchasing Dept. Expenses

4. Receiving Cost

Total Campus Receiving Dept. Expense X Total Dental Clinic
Total Campus Expense Minus Student Aid Expense
and Campus Receiving Dept. Expenses

5. Inventory Cost

Total Campus Inventory Dept. Expense X Total Dental Clinic
Total Campus Expense Minus Student Aid Expense
and Campus Inventory Dept. Expenses

B. Operation/Maintenance of Plant Cost Element--Based on Prior Year Expenses of the Following Cost Components:

1. Police Cost

Dental Clinic Assigned Square Feet X Total Campus Police
Total Campus Assigned Square Feet Dept. Expense

2. Environmental Health and Safety Cost

Dental Clinic Assigned Square Feet X Total Campus Environmental
Total Campus Assigned Square Feet Health and Safety Expense

EXHIBIT C: (Cont.)

3. Plant Operation and Maintenance Cost

Included are expenses for the following services: Administration, Building Maintenance, Elevator Maintenance, Ground Maintenance, and Steam and Utilities.

Dental Clinic Assigned Square Feet _____ X Total Campus Expense for each
Total Campus Assigned Square Feet of the Services Listed Above

4. Janitorial Costs

Dental Clinic Assigned Square Feet = Number of FTE Needed to Clean Dental
Total Campus Assigned Square Feet = Clinic Daily
Serviced by One Janitor FTE per Day

Number of FTE Needed to Clean Dental Clinic Daily	X	Number of Working Hours Per Year for One FTE	=	Total Number of Hours Needed to Clean Dental Clinic Yearly
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Total Number of Hours Needed to Clean Dental Clinic Yearly	X	Hourly Janitorial Rate (Labor & Materials)	=	Total Janitorial Costs for Dental Clinic Yearly
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