

UDS Overhead Cost Allocation Methods

Facility and non-clinical support service expenses are referred to as overhead expenses. In the UDS, these are reported on Lines 14 and 15 as accrued costs in Column A of Table 8A, and distributed (allocated) to service cost centers on Lines 1-13, Column B of Table 8A.

Accrued Cost of Overhead (Column A)

Report facility and non-clinical support service costs on Lines 14 and 15, in Column A of Table 8A.

Line 14: Facility-Related Expenses includes facility personnel costs, rent or depreciation, mortgage interest payments, utilities, security, groundskeeping, janitorial services, maintenance, etc.

Line 15: Non-Clinical Support Services includes personnel such as corporate administration, billing, revenue cycle, and medical records and intake personnel, as well as facility and liability insurance, legal fees, managing practice management system, and direct non-clinical support costs (travel, supplies, etc.).

Allocation of Overhead (Column B)

The total of Lines 14 and 15 is reported on Line 16 as the **Total Facility and Non-Clinical Support Services** accrued cost. This total is what is allocated as overhead to each of the cost centers on Lines 1-13, in Column B of Table 8A.

Allocation Methods

There are multiple ways that facility and non-clinical support services may be allocated to the cost centers in Column B (Lines 1–13). Health centers should use the simplest method that produces a reasonably accurate result that is comparable to that obtained by a more complex method.

It is important to allocate overhead in a way that represents the true cost of service areas. Allocating overhead using a single-step method, such as dividing the total overhead by the number of service areas, is not recommended for this reason.

A recommended approach is to use the following 3-step method:

1. **Allocate facility costs to each cost center based on either actual facility costs for that cost center or percentage of total square footage that the cost center uses.**

Allocate facility costs directly attributable to a specific cost center to that cost center.

Any facility costs that are specific to non-clinical support services are allocated to Line 15.

2. **Allocate Line 15, Non-Clinical Support Services ascribable to specific cost centers.**

Allocate any non-clinical support costs attributable to a specific cost center to that cost center.

For example, decentralized front desk personnel, billing and collection systems and personnel, etc. are allocated to the service area they work in.

Consider lower allocation of overhead for contracted services, amounting to the cost for any space used for contracted services, as well as any costs for administering the contracted care (e.g., accounting and contract management).

3. Allocate Remaining Costs.

Allocate remaining costs using a consistent approach, commonly based on the proportion of direct costs or of visits.

Example: Allocation of Overhead

Step 1: Allocate Line 14, Facility Costs, to each cost center

A health center has \$70,000 of total facility costs reported on Line 14, Column A. There are three sites, each of which has a mix of services (medical, mental health, non-clinical support [admin]). Health center has a total square footage of 12,500.

Site A: 2,500 square feet - 80% medical, 20% admin

Site B: 3,500 square feet - 57% medical, 29% mental health, 14% admin

Site C: 6,500 square feet - 31% medical, 31% dental, 15% mental health, 23% admin

The table below illustrates the calculation of total square footage for all 3 sites and allocates that total by the percentage of square footage for each cost center.

Medical square footage from all 3 sites represents 32% of the total square footage. Therefore, the medical cost center is allocated 32% of the total accrued facility costs ($32\% * \$70,000 = \$22,400$), as shown in the medical column. This process is repeated for other service categories, as reflected in the subsequent columns. Note that "admin" here is the same as non-clinical support costs– this calculation yields \$14,000 in non-clinical support facility costs.

	Medical (Lines 1–3)	Dental (Line 5)	Mental Health (Line 6)	Non-Clinical Support (Line 15)	Total Square Feet
Site A	2,000	-	-	500	2,500
Site B	-	2,000	1,000	500	3,500
Site C	2,000	2,000	1,000	1,500	6,500
Total Square Feet (SF)	4,000	4,000	2,000	2,500	12,500
% of total SF	32%	32%	16%	20%	100%
% total SF times total facility costs	32%*\$70K	32%*\$70K	16%*\$70K	20%*\$70K	100%*\$70K
Facility Allocation	\$22,400	\$22,400	\$11,200	\$14,000	\$70,000

Step 2: Allocate Line 15, Non-Clinical Support Service Costs, to each cost center.

The health center has \$250,000 of non-clinical support costs reported on Line 15, Column A. This is added to the \$14,000 in non-clinical support facility costs calculated in Step 1, yielding \$264,000 in total non-clinical support service (admin) costs to be allocated.

First, distribute non-clinical support costs to the applicable service, where possible. This includes allocating decentralized admin costs like medical billing and medical front desk; dental front desk and dental records, etc. to those specific cost centers.

For this health center, this results in \$34,000 of admin costs remaining, as shown in the table below.

Cost Center	Total to be allocated to cost center in Column b
Medical (Lines 1–3)	\$75,000
Dental (Line 5)	\$105,000
Mental Health (Line 6)	\$50,000
Total Allocated in this Step	\$230,000
Remaining Non-Clinical Support Costs to be allocated	\$34,000

Step 3: Allocate the remaining costs.

Next, allocate remaining non-clinical support costs (\$34,000), based on the proportion of net costs. For this health center, medical service costs represent nearly 31% of total direct costs. This calculates to be \$10,458.70 of the remaining 34,000 to attribute to medical. That process is repeated for all cost centers until the full amount has been allocated.

Cost Center	Percent of Costs in Column A	Allocation
Medical (Lines 1–3)	30.76%	\$10,458.70
Dental (Line 5)	44.62%	\$15,170.65
Mental Health (Line 6)	24.62%	\$8,370.65
Total	100%	\$34,000

Below is the amount allocated through each of the previous steps, culminating in the final column listing actual overhead costs to be reported in column B for each of the listed cost centers for this health center.

Cost Center	Allocated Facility Costs	Allocated Non-Clinical Support Services	Allocated Remaining Costs	Total Overhead Costs to be Reported in Column B ⁱ for Cost Center
Medical (Lines 1–3)	\$22,400	\$75,000	\$10,459	\$107,859
Dental (Line 5)	\$22,400	\$105,000	\$15,171	\$142,571
Mental Health (Line 6)	\$11,200	\$50,000	\$8,370	\$69,570
Total Overhead	\$56,000	\$230,000	\$34,000	\$320,000

ⁱ Total overhead to allocate on Line 16, Column A, must equal the total allocated across cost centers in Column B.