

## How to measure cost to deliver medical care: Gross-costing method

In this section we specifically focus on the gross-costing method. The gross-costing is a method of cost allocation that is simple, practical, and robust to geographical variation and can be used to estimate resource consumption and savings attributable to the intervention. Gross-costing is also referred to as macro or top-down costing and the results provide an estimate of the “typical” cost of the program or service. Gross-costing allocates a total budget to specific service, hospital stay or provider visits as compared to micro-costing which measure costs for the procedures and professional time.

- a. When you would use gross-costing
  - a. The available data is secondary data, charge data, and even national average such as DRG.
  - b. Aggregated or average unit costs per patient meets study needs.
  
- b. Gross-costing steps
  - a. Identify the resources that will be consumed in the intervention or through the course of care (similar to process mapping used in micro-costing). The cost/resources that are included depend upon the perspective used for the study (societal vs. health care system vs. payer)
  - b. Measure identified resources utilizations or the changes in resource used as a result of the intervention as compared to standard of care
  - c. Valuation of resource utilization of direct and indirect cost associated with the program or service (e.g., RVUs or HCRIS).
    - i. Note: direct and indirect cost are accounting terms. Generally, direct cost are charges that can be attributed to the program and examples include the costs of tests, drugs, supplies, and personnel. Whereas indirect cost include costs such as overhead or cost allocation.

