Activity Based Costing for HIV/AIDS Interventions: Lessons Learned from the PHR/FHI-Impact Pilot Project

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Overview

▲ What is Activity-Based Costing (ABC)?
▲ Why do ABC Costing?
▲ PHR/FHI Pilot Project implementing ABC in Cambodia
  process
  lessons learned
How is ABC different from traditional cost accounting?

**ABC Costing**
- Assumption: services and products consume activities, activities consume resources
- Activities are considered the basic cost object
- Expenses should be separated and matched to the level of activity that consumes the resources

**Traditional Method**
- Assumption: product and services consume resources
- Not fit for program costing, but rather for facility based costing
Why ABC with HIV interventions?

△ The same output may be achieved through a variety of interventions, while each intervention may be carried out through a diverse number of activities.

Traditional cost accounting  △ ABC △ Traditional cost accounting

Resources  △ Activities △ Output
How can management use ABC data?

▲ Track resources within a program
▲ Address the same program contents with alternatively defined management strategies
▲ Approach the same program goals with alternative sets of activities
▲ Ascertain the cost-saving potential of streamlined program administration
▲ Estimate the incremental cost of raising population coverage rate
▲ Identify the cost implications of alternative strategies of program targeting
▲ Evaluate the cost impact of technology change and substitutions in the program resource mix.
Availability of consistent cost data facilitates:

▲ Extension of an existing program beyond its initially planned life span
▲ Scaling up or down of a continuing project
▲ Adjusting the resource mix under a continuing project
▲ Replicating of a project budget in a changing institutional environment
▲ Economic evaluation studies relating costs to program output, outcomes and otherwise defined effects.
Background Cambodia ABC pilot project:

**Purpose:** At the request of USAID, PHR has partnered with FHI to develop a cost-finding framework (based on ABC) applicable to a large spectrum of HIV/AIDS programs and interventions.

The expected value of this study is two-fold:

- to address program-specific information needs of aid agencies, program designers and implementers
- establish a basis for cost comparisons among programs, interventions and activities
Steps to Implement ABC Costing for PHR-FHI/Impact Cambodia

Start ↓

Design a list of cost categories

Classify activities for future analyses

Validate activity titles

Compile the list of activities

Analyze program design and action plan

Cost analysis

Design a list of cost drivers

Identify data requirements

Design data reporting tools and procedures

Collect cost information by activity

Analyze information & its management value

Activity analysis

Piloting and evaluation at the program level

Implement standard terminology of activities & costs

Propose ABC for use across programs that pursue similar strategies and interventions

Full-Fledged Implementation

Merge ABC with program financial accounting

Roll-out to other programs

Program-wide implementation
### Step 1: Analyze FHI Conceptual Model

**Needs Assessment**
- Population profile
  - CSE census
  - Condom availability
  - Male social norms
  - STD drug availability
  - STI treatment facilities
- Geographic location of target groups/establishments
- Potential partners
- Policy factors
- Organizations' capacity/needs
- Community/social norms
- Individual behavioral factors
- Resources/linkages with other related services

**Strategies to induce change**
- **Policy Strategy**
  - Policy makers aware of HIV impact and motivated to promote HIV agenda
  - Policy supportive to HIV control
  - Religious support to prevention & care
  - Increased private sector involvement
    - IEC
      - IPC/Outreach to high-risk men and women
      - Improve quality of outreach
    - STI care services
      - Expand male CSM
      - Expand STI care services
      - Specific STI care for FSW
      - STD treatment for men
      - Initiate STD service SM

**Service Delivery Strategy**
- IEC Strategy
  - IEC
    - IPC/Outreach to high-risk men and women
    - Improve quality of outreach
  - STI care services
    - Expand male CSM
    - Expand STI care services
    - Specific STI care for FSW
    - STD treatment for men
    - Initiate STD service SM

**What to change**
- Policy makers aware of HIV impact and motivated to promote HIV agenda
- Policy supportive to HIV control
- Religious support to prevention & care
- Increased private sector involvement
- IEC
- STI care services
- Specific STI care facilities for sex workers (mobile/clinic/social center-based)

**Activities**
- Micro-economical AIDS impact analysis
- Policy dialogue to promote condom use in brothels
- Mobilize religious leaders to participate in HIV/AIDS prevention & care
- Strengthen NGO advocacy networks
- Mobilize private sector to cooperate in HIV prevention
- Comprehensive BCC interventions to high-risk men and women
- BCC materials for outreach, BCC, and training
- Specific STI care approaches for high-risk men

**USAID IRs**
- IR#1: Policy makers are informed about the HIV/AIDS epidemic in Cambodia
- IR#2: Reduced high-risk behaviors in epidemiologically, demographically, and geographically important provinces
- IR#3: Model STI/reproductive health service delivery programs for high-risk populations piloted and replicated in the five Central-south epidemiologically, demographically, and geographically important provinces

**Project Outcomes**
- Negotiating power
- Mobilizing community support
- Enhancing quality STI care
- Condom use
- Incidence of STI
- Incidence of HIV

**Evaluation, Monitoring & Research**
- Formative research
- Baseline data
- STI treatment resistance on STIs with FSWs
- Evaluation plan design and indicators

**Capacity-building**
- Field review
- Project design, implementation & management TA to IAs
- IEC design & development TA to IAs
- Internships & study tours between experienced and nascent IAs
- Sponsoring participation in Annual Cambodia National STI/HIV/AIDS Conference
- Dissemination of STI/HIV programming, implementation and evaluation tools and information and best practices
Step 2: Compile Activity Lists

(Please contribute other activities that may not be listed, as researchers aim to compile a COMPLETE list of all possible activities)

▲ AIDS socio-economic impact research
▲ Organization of AIDS conferences
▲ Participation of religious leaders
▲ Participation of the private sector
▲ Involvement of civil society
▲ Information about HIV/AIDS epidemic and experience
▲ Resource directory of HIV/AIDS and STI services
▲ Census of CSW establishments
▲ Support of behavior change
▲ Support for self-organization of the targeted groups
▲ Behavior change materials
▲ Social marketing of condoms
▲ Skits & performances to impact on social norms
▲ Assessment of access to STI treatment
▲ Quality of STI services
▲ STI care approaches for men
▲ Appropriate packaging for STD care
▲ Care & support of children w AIDS
▲ Social marketing of STI services
▲ Care and support of PLWHA
▲ Prevention & care for people w TB
▲ Management capacity building
▲ Technical capacity building
▲ Program evaluation reviews
Step 3: Compiled Activity Types

(Please contribute other activities that may not be listed, as researchers aim to compile a COMPLETE list of all possible activities)

▲ Baseline research
▲ Conceptual & technical design, planning and development
▲ Site selection
▲ Procurement of HIV/AIDS goods and services
▲ Development of IEC materials
▲ Training events
▲ Study tours, conferences, and other forms of exchange
▲ Media campaigning
▲ Dissemination (other)
▲ Institutional capacity building and support
▲ Face-to-face work with beneficiaries: prevention
▲ Face-to-face work with beneficiaries: care
▲ Face-to-face work with beneficiaries: treatment
▲ Monitoring and evaluation
▲ Reporting
▲ Program administration and management
▲ Other
Step 4: Validation of Activity Lists

▲ Activity list should be reviewed for accuracy, completeness, consistency and uniformity

▲ Individuals familiar with the programs should be involved in the validating process

▲ Validation takes time: lists will go under a series of adjustments until it is representative
Step 5: Group Activities

Seven HIV/AIDS program modules which 234 activities are grouped
Step 6: Develop List of Cost Categories for HIV/AIDS programs

- Labor
- Materials and Supplies
- Transportation
- In-Country travel and event attendance
- International Travel
- Physical plant: recurrent costs relating to buildings, structures, durable and minor equipment
- Other purchased professional and miscellaneous services
- Items not elsewhere counted
Step 7: Piloting the ABC costing

- Identify data requirements
- Design data reporting
- Collect Cost Information
Step 8: Generating ABC on a routine basis

- Takes up to one year of uninterrupted data collection to accumulate a representative activity/cost file for ABC analyses.
- There will still be a two-dimensional matrix generated on a continuous basis: interventions/outputs as records, and activity types (work formats) as fields.
- Matrix will enable slicing and grouping of program costs in a way that enables direct cost comparison by work format and output across many HIV/AIDS programs and interventions.
- An ABC accounting module should be created as a data base with automated mapping functions and used by an accountant/data entry specialist to map transaction-level cost entries to activities and then to activity types.
- ABC accounting functions should be integrated in to the program’s main finance and accounting system.
Lessons Learned: Management Research Agenda based on ABC Findings in Cambodia

▲ Analysis of fast-changing areas of program resource consumption, e.g., the impact of telecommunications on the program and activity cost, specifically, the use of electronic mail and/or full on-line service on mailing/messaging costs; costs and time of IEC preparation and dissemination.

▲ Analysis of overhead costs by their share in activity-specific costs. Certain ‘overhead disallowance’ rules may be recommended based on the assessment, to trim disproportionately high overheads.

▲ Differential cost analyses to evaluate some basic management alternatives, e.g., outsourcing versus in-house activities; asset acquisition versus lease; centralization versus decentralization, expatriate versus local inputs.
Lessons Learned: Management Research Agenda based on ABC Findings in Cambodia

▲ Estimate unit costs of social marketing of condoms in urban and rural areas under current and alternative delivery scenarios in Cambodia.
▲ Evaluate for cost implications the deployment of site offices to manage social marketing of condoms versus continuing in-country management from the national office.
▲ Evaluate cost implications of variable population coverage with condom social marketing. Where is the optimal cut off point on the way to 100% coverage?
▲ Compare costs of community-based versus hospital-based support of people living with HIV/AIDS.
▲ Estimate cost implications of alternative targeting decisions to optimize the beneficiary mix under a program that seeks to change behavior of the population residing in the border areas and transmit infection across
Lessons Learned: A buy-in approach

The diversity of the research agenda proposed in just one country long in advance of the ABC data suggests a strong buy-in potential for the method both in Cambodia and internationally. Below is a list of questions that an HIV/AIDS program manager may want to consider in order to contribute to the validation of ABC tools and, eventually, to adjust its operations to ABC information requirements:

Position your program action plan on the proposed list of targeted outputs.
What is the estimated share of your program and resources not covered by that list?
Propose corrections and expansion to the existing list of targeted outputs.
Is there a match between activities and targeted outputs? Elaborate by targeted output.
Reformulate the list of activities by expanding, correcting or otherwise changing that list.
Buy-in approach continued

- Do the list and the titles of activity types cover all the formats in which HIV/AIDS interventions are delivered and program operations are set?
- Propose changes in the list of activity types?
- Assess and make adjustments in the list of cost categories.
- Assess and make adjustments in the proposed list of cost drivers for the allocation of indirect costs to activities.
- What are the best ways of integrating ABC data collection into program accounting? What time and resources would it take to accomplish such integration?
- Can you anticipate major revisions in the ABC classification lists coming from other HIV/AIDS programs with which you are familiar?
Proposed ABC classification lists are open for discussion and validation by HIV/AIDS funders, implementing agencies and program managers.

Please, contact Ms. Courtney Barnett of PHR/Abt Associates at:

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for an electronic copy of the HIV/AIDS targeted output, activity, work format, and cost lists

Your participation and feedback will be greatly appreciated
ABC’s key concept: Activities consume resources to produce an output.
ABC Involves the following steps:

▲ Defining activities that support output
▲ Defining the list of activity costs and cost allocation framework
▲ Estimating costs by cost item and activity using direct cost tracing and indirect cost allocation
▲ Aggregating itemized costs into an activity of total costs
▲ Defining links between activities and outputs for subsequent assessment of activity/output ratios and analysis of activity output patterns