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## **Cost of care and support services for PLHA: Implications for the financial sustainability of nongovernmental organizations**

Horizons Program

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## COST OF CARE AND SUPPORT SERVICES FOR PLHA: IMPLICATIONS FOR THE FINANCIAL SUSTAINABILITY OF NONGOVERNMENTAL ORGANIZATIONS

As HIV/AIDS prevalence increases, providers of care and support services will face greater demand for their services. The ability of nongovernmental organizations (NGOs) to help meet this increased demand will be influenced in part by their ability to control the cost of their services while generating sufficient revenue to meet their expenses.

The Y.R. Gaitonde Centre for AIDS Research and Education (YRG CARE) was founded in 1993 and is located in Chennai, India. It was one of the earliest providers of integrated care and support services in South India and currently serves clients from the four South Indian states. This summary highlights the key findings of a study that investigated the cost of PLHA services offered by YRG CARE.



Sabena Hazuria

Estimating the current cost of PLHA services assists program managers and policymakers to evaluate how well their resources are being used and to plan for resource requirements for scaling up of their program. As part of this analysis, the study investigators examined the impact of service expansion on the unit cost of services. They also looked at the extent to which current user fees offset costs of service expansion to the NGO as well as other issues regarding the financial sustainability of YRG CARE.

This research is part of a larger study being conducted by YRG CARE and Horizons that examines the scale-up of care and support services in South India.

### Study Methods

Researchers use a four-step process to estimate the cost of services. First, they identified resources used in the provision of services. Second, they measured the volume of resources used by the program. Third, they assigned the resources a monetary value and fourth, they allocated the resource costs to the different outputs of the program.

Data collection techniques for this analysis included review of clinical and administrative records of YRG CARE, interviews with program personnel, and personnel observation. In order to more accurately allocate the clinical labor costs to specific services, the principal investigators employed activity sampling, a technique similar to a time-motion study where trained observers collect a systematic sample of a provider's activities throughout the day. This study is one of the first applications of this technique toward estimating the cost of HIV/AIDS care and support services.

## Key Findings

**The unit cost of services ranged from a low of \$5.00 for a post-test counseling session to a high of \$22.41 for a day in the care section of the clinic.** Most services cost between \$5.00 and \$10.00. A few services had higher costs because of their greater use of labor (pretest counseling) or overhead (bed day of care in the day care unit).

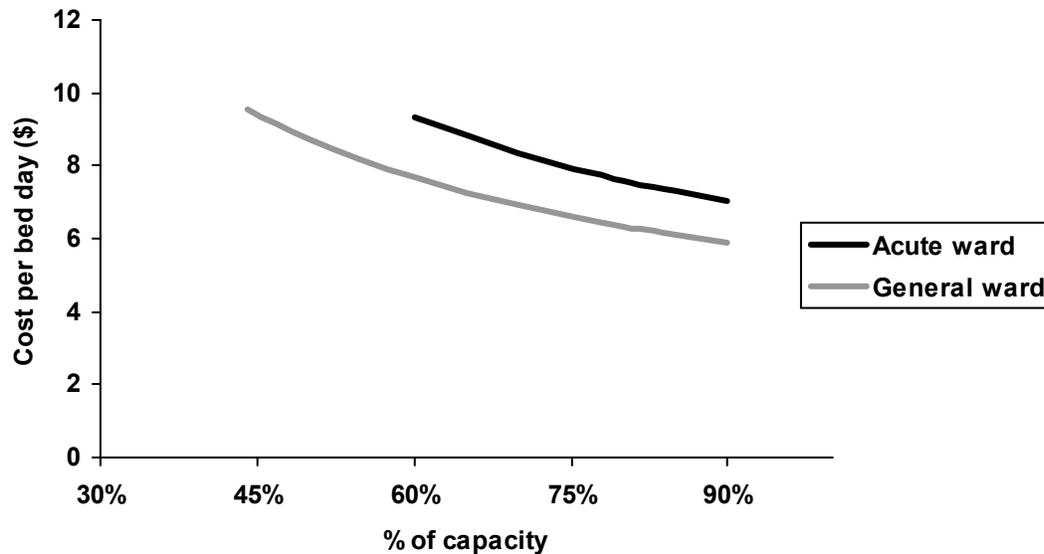
**Operating near capacity reduces the cost of services.** While the activity sampling activity showed that YRG CARE staff were working as expected, a comparison of service statistics from the year prior to the period of data collection indicated that a higher client volume could be accommodated on most days. This implies that more clients could be served within the existing fixed resources of YRG CARE. If the services were to operate at 85 percent of capacity, as shown in Table 1, the estimated unit costs for services would range from a low of \$2.46 for posttest counseling to a high of \$8.33 for pretest counseling and testing.

**Table 1 Estimated unit cost of service by type of service and capacity**

<b>Service</b>	<b>Current unit cost (\$)</b>	<b>Unit cost at 85% capacity (\$)</b>
<b>Counseling session</b>	9.85	4.35
Pretest	13.77	8.33
Posttest	5.00	2.46
Individual	7.65	3.75
Family	6.44	3.16
<b>Outpatient visit</b>	6.69	4.73
New client	7.44	5.21
Follow-up	6.55	4.64
<b>Day care bed day</b>	22.41	4.25
<b>Inpatient bed day</b>	9.44	6.66
Acute ward	9.33	7.30
General ward	9.55	6.10
<b>Home care visit</b>	5.64	2.66

Figure 1 shows how the unit cost of inpatient care changes with increasing volume of service.

**Figure 1 Unit cost of inpatient care as volume increases**



**High service volume can offset fixed costs but also result in higher variable costs.** The researchers found that YRG CARE has relatively high fixed costs of operation. Fixed costs are the value of resources that do not change with an increase in service volume such as staff salaries, equipment, operating and maintenance expenses, and overhead expenses. The costs of these resources must be spread across all services and if the service volume is low, the unit cost of services will be higher.

Variable costs are the value of resources that change as service volume increases (e.g., drugs and supplies). Because user fees at YRG CARE are not sufficient to cover the costs of drugs and supplies for PLHA care, variable costs not covered by user fees will increase as service volume expands. Therefore before expanding services, YRG CARE needs to explore means of reducing variable costs and/or raising user fees. If neither of these is possible, the service will depend upon subsidization from either other services or such external sources as research and education programs.

**In-kind contributions can dramatically offset the cost of services to the NGO.** YRG CARE has been successful at eliciting targeted and in-kind contributions. Of the total annual resources used by YRG CARE, 43.9 percent of these resources has been donated to YRG CARE. This includes the clinic building and many of the associated operating and maintenance expenses. In addition, many supplies such as drugs and linens are donated. This substantially reduces the cost of services that will need to be covered through other sources.

## Conclusion and Recommendations

Information on unit costs and sources of financing is critical for helping NGOs assess their ability to cover their current costs and plan for the financial requirements of their program in the future. In the case of YRG CARE, the following recommendations emerged from the study:

**Increase service volume for services such as inpatient care.** Since there is little scope for reducing the fixed inputs of the program, the goal should be to make better use of these fixed resources through increasing service volume for its services. This is especially true for the inpatient services, which have user fees sufficient to cover the additional costs of providing the service. One way to increase service volume is for YRG CARE to request that other institutions refer PLHA to their facilities. This arrangement would also benefit PLHA, since most of the inpatient care for PLHA in Chennai is currently provided at the TB hospital, which is not a suitable environment for a patient with a compromised immune system.

**Explore potential for increasing user fees.** As noted above, the risk is that service expansion will add more to costs than to revenues. Therefore YRG CARE should explore the potential for increasing user fees. A willingness-to-pay survey of current clients has recently been completed, and those results will be used to inform decisions about changing the fee structure at YRG CARE.

**Continue to seek in-kind contributions to offset variable costs.** To the extent that YRG CARE can reduce the variable costs of service provision through generating in-kind contributions, this reduces the pressure on other revenue sources, such as user fees to cover the cost of care. 

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