Cost Allocation Meets Coordination – Module 3

A Mini-Course for Human Services Transportation Providers
Homework Check-in

- Review CCAM Program Inventory & Fund Braiding guide.
  
  What did you learn?

  Did anything surprise you?

  Do you plan to reach out to a program because of what you’ve learned?

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Cost allocation course

- Session 1 – Basics of cost allocation, demonstrate how to use the model and how to apply it for things like forecasting and setting fares.
- Session 2 – Illustrate reasons to allocate your costs, and how your fully allocated cost can be a tool for coordination.
- Session 3 – Determine the difference between pricing, cost, value and how to communicate these to others.
Self-Assessment
What is the cost, price and value?
The Fallibility of Numbers

- Transportation is a complex system
- Every model has assumptions – identify your assumptions.
- Future performance is a guess
- Budgets are best estimates
- Identify the context for your numbers
Cost vs. Price

**Cost** - total cost of producing transportation services

**Price** - rate of payment

Cost and price will often be different.
Pricing Considerations

- Amount of subsidy you are getting from state, local and Federal sources
- Amount of service consumed
- On- or off-peak service
- Amount of time and administration to carry out a contracted service
- Additional capacity to meet the need
- Type of service – shared, individual, special or boutique services (higher levels of service), stretcher, bariatric
Scenario – Chat

- Your agency vehicle is at the local dialysis center and up pulls a vehicle from a local assisted living facility delivering people to the dialysis center. You offer to pick up those riders for their next treatment because you have a few extra seats. They are thrilled because they now only pay by donation per your policy.

What’s wrong with this picture?
Value

- Actual value
- Perceived value
Value Proposition

▪ Answers why
▪ Communicates the benefits
▪ Differentiates your service
▪ Makes the business case – return on investment
Value Proposition

- Focus on what customers value, want and need
- What problem are you addressing?
- Strong succinct statement of the value of your services
- Easy to remember and compelling
Start With Why – Simon Sinek
Discussion

But we are a public entity, we shouldn’t be making money or profiting!

How do you respond?
Human Services Commandments

1) Thou shalt not use money to attract talented people.
2) Thou shalt not waste money on advertising.
3) Thou shalt not take risks with donated funds.
4) Thou shalt not make investments to attract future donors with money that could go to the needy now.
5) Thou shalt make sure that fundraising and administrative activities and costs are always the last priority.
Remember,

The revenue you are generating is not for supplanting existing funding. It is for expansion of services as planned and part of a vision, plan or study.
Service Considerations

Does it meet your mission?
Why should you provide this service?
Who is the service for?
Does it allow you to do things otherwise you would not be able to do?
Do you have capacity?
What will it cost?
What are the perceptions of the new service?
Activity

- Write a headline for what you want your system to be.
- This is a way to generate ideas for what you want it to look like and you can work towards it and capitalize on opportunities as they come along.
Framing the Message

Framing...

• is the choice in what we emphasize, how and what we explain and what is left unsaid.
• affects how people hear, understand and act.
• takes into account people’s values and assumptions.
• strives to get a more productive way of thinking.
Framing

Instead of...
- Social determinants of health
- Collaboration
- Urgency and fear
- You/They need transit
- What is wrong

Try...
- Foundations for community health
- Empowerment
- Aspiration and inspiration
- The nation/We need public transit
- What’s true & what should be done
Words Matter - Example

How are you presenting this information to your board, partners, and the public?

“We are at a crisis level and need to raise rates to make ends meet.”
Reframe:

“It has been determined that transportation is an essential service that continues to be a vital service during the pandemic and every day. Transit/We is/are in the unique position to make communities stronger, in the toughest time, doing the toughest work. The resources we need to continue to operate must align with our vision of the future and not leave people out.”
Summary

- Cost and price will be different.
- Your price isn’t necessarily your *value*
- Ensure you meet your mission
- Reinvest in your program
- Frame your message thoughtfully

*People don’t always respond to logic and evidence.*  
*Personal stories and appealing to emotions can help make the case.*
Next steps

- Make allocating costs part of your regular business
- Determine how you can apply what you learned
- Envision what is possible with the right investment from public and private partners
- Frame your message intentionally

What will you do as a result of this course?
Self-Assessment
Questions?
Evaluation -
https://www.surveymonkey.com/r/CostAllocateEval
www.nadtc.org
Toll-free # 866.983.3222

Carrie Diamond
cdiamond@easterseals.com