



Calculating the Return on Investment (ROI): Step by Step Overview

When considering whether to participate in the School Medicaid (SHARS) program, it is important to take a well-rounded approach to decision-making. Financial factors are just one part of the equation, and while this document provides a framework for estimating costs and potential revenue, it should be used as a guide rather than the sole basis for your decision. Every district has unique circumstances that need to be taken into account.

This method offers a way to estimate how much revenue your district might need from the Medicaid program to make participation beneficial. It is designed to support your decision-making but should not be the only factor considered. The estimates in this example are based on a mid-sized district, and it is recommended that you should tailoring the calculations to reflect your district's specific situation.

Step 1: Identify Known Costs

Direct Costs:

- Administrative Expenses: Salary costs for administrative staff managing the program.
- Training Costs: Expenses for ongoing training and professional development.
- Documentation Costs: Time and resources spent on documentation and compliance.
- Audit Costs: Expenses related to preparing for and responding to audits.

Indirect Costs:

- SHARS Claiming: Costs associated with working with a vendor to file claims. SHARS technology and claims processing.
- Implementation Costs: Initial setup costs, including software, training, and changes to processes.
- Staff Morale and Turnover: Estimated costs related to potential staff turnover and the need for hiring and training new staff due to frustration and burnout.
- Compliance and Documentation: Estimated costs related to documentation compliance, including ongoing training, monitoring, and the administrative burden on staff.
- Audit Costs: Estimated costs related to audits, including preparation time, potential fines, and the administrative burden of responding to audit requests and findings.

Step 2: Estimate and Calculate Known Costs

You may not have precise figures, but you can create an estimate based on averages or similar districts' data.

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|--------------------------------|----------|
| • Administrative Expenses | \$60,000 |
| • Training Costs | \$12,000 |
| • Documentation and Compliance | \$30,000 |
| • Audit Costs | \$18,000 |
| • Staff Turnover | \$24,000 |
| • Implementation Costs | \$36,000 |

Step 3: Determine Minimum Reimbursement to Justify Participation

Calculate the minimum annual reimbursement needed to justify participation by ensuring it covers the total annual costs and provides a sufficient margin to account for other unquantified costs. Be sure to include the amount to cover your SHARS technology and claims processing program.

Example Calculation:

Assuming the district wants at least a 20% margin above the estimated costs to account for unquantifiable costs, SHARS technology and claims processing and to make participation attractive:

Total Estimated Costs with Margin: $\$144,000 \times 1.20 = \$172,800$ (without the one-time initial cost)

Total Estimated Costs with Margin: $\$180,000 \times 1.20 = \$216,000$ (with the one-time initial cost)

Note: Further analysis will include calculations without the one-time initial costs included.

Step 4: Factor in Return on Investment (ROI)

For a more robust analysis, you can also consider a target ROI. If the district desires an ROI of 10%, the calculation would be:

Desired Net Profit: $\$172,800 \times 0.10 = \$17,280$ **Total Revenue Needed:** $\$172,800 + \$17,280 = \$190,080$

Given the complexity and uncertainty of the other costs, adding an additional buffer may be advisable and can be included at the districts discretion.

Final Cost Estimate: Example Calculation in a Table

Mid-Sized District (3,000-10,000 Total Students) Example			
Cost Item	Annual Cost	Initial Cost	Total Cost
Administrative Expenses	\$60,000		\$60,000
Training Costs	\$12,000		\$12,000
Documentation and Compliance	\$30,000		\$30,000
Audit Costs	\$18,000		\$18,000
Staff Turnover	\$24,000		\$24,000
Implementation Costs		\$36,000	\$36,000
Total Annual Costs	\$144,000	\$36,000	\$180,000
Total with 20% Margin	\$172,800	\$43,200	\$216,000
Desired Net Profit (10%)	\$17,280	\$4,320	\$21,600
Total Revenue Needed	\$190,080	\$47,520	\$237,600

Revenue Needed from Medicaid Program Between: \$190,080 and \$237,600

Conclusion:

Given these costs, to make participation in the Medicaid program worthwhile for a mid to large size district of 3,000 to 10,000 total students, the district would need to generate between \$190,080 and \$237,600 annually in reimbursements. This figure accounts for direct costs, desired net profit, and additional buffer for unquantifiable expenses such as SHARS technology as well as indirect costs such as staff morale and turnover.

Recommendations:

- Review Actual Costs: Refine these estimates based on actual district data where possible.
- Regular Monitoring: Continuously monitor costs and reimbursements to adjust participation strategy as needed.
- Consider Cost Reduction Strategies: Explore ways to minimize administrative and compliance costs to improve the net benefit from the program.