

# **Contractor Executive Meeting Moving Toward Compliance with Cost Accounting Standards (CAS)**

Ned Boston

Vice President, Medicare

Wisconsin Physicians Service

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# Cost Accounting Standards (CAS)

- “CAS does establish limits and constraints on what is considered appropriate, allowing the CAS to meet the goal of providing consistency and uniformity in cost accounting.”
- Allows for development of accurate Disclosure Statement

# Three Areas of Cost Accounting

- Measurement of Cost
- Assignment of Cost to Cost Accounting Period
- Allocation of Cost to Cost Objectives (Cost Center)

# Reaching Compliance Step One

- Significant effort to examine current corporate accounting structure
- Recommend bringing in an experienced consultant to identify issues

# Impact to Corporation

- Plan for a minimum of six months to one year
- Corporate accounting conversion
- Plan for a cost of .5 to 1 million dollars

# Reaching Compliance Step Two

- Cost Center Structure Development
  - Critical to clearly distinguish:
    - Direct Costs
    - Indirect Costs
    - Allowable Costs
    - Unallowable Costs

# Impact to Corporation

- Standards 402, 410 and, 418 create most significant corporate changes
- Requires advanced cost accounting procedures
- Creates accountability and consistency
- Provides roadmap to settle future changes
  - Requires ongoing discussions about impacts
  - Limits options and flexibility

# Reaching Compliance Step Three

- Monitor Costs
  - Ability to determine point at which indirect costs become direct costs.
- Clearly Document Cost Allocations
  - No off ledger activity
- Disclosure Statement
  - Must drive business decisions