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ASST.PROF

ICON

COST EFFECTIVENESS

INTRODUCTION

COST

Cost is the amount of expenditure actual (incurred) or notional (attributable) relating to a cost object. (Jawaharlal, 2004)

Cost is the cash or cash equivalent value sacrificed to obtain some goods or services.

EFFECTIVENESS

“Is defined as the effect of producing the profit effect”

(Oxford Dictionary)

COST EFFECTIVENESS

Cost effectiveness is methods are those that search for the least costly way of achieving a defined result. (Marequis L .B, 2000)

COST EFFECTIVENESS ANALYSIS

The cost effectiveness analysis is the technique for choosing from alternative courses of action, a preferred choice when objectives are not very clear in such areas as sales, costs or profits. (Sokharkar BM, 2003)

In cost effectiveness analysis, decision criteria may include

- a. Achieving a given objective at least cost
- b. Attaining it with reasonable resources
- c. Providing a trade – off of cost for effectiveness

Cost effectiveness analysis is not an analysis for cost reduction it is an optimization approach to a specific set of goals. After the objectives have been determined, cost effectiveness analysis considers the number and type of alternatives available. After determining the possible alternatives, resources requirements for each alternative viz people, money, equipment and facilities are determines and converted to monetary costs. The analysis first determines the criteria to be used in determining the effectiveness of each cost factor and then prepare cost effectiveness models for each alternative. Some of the criteria of effectiveness are as follows.

1. Capacity
2. Accuracy
3. Degree of physician acceptance

4. Quantity of output
5. Performability
6. Quantity of output
7. Mean – time between repair
8. Professional Acceptance
9. Error rate
10. Flexibility
11. Inconvenience to other departments
12. Spill – over effects
13. Power Consumption
14. Personal Safety

COST EFFECTION ANALYSIS (CEA)

The aim of the administrator on a fixed budge is to maximize the value of all outcomes relative to costs Cost effectiveness analysis helps by identifying and where possible all costs and benefits involved in various course of action. The are two types of analysis.

1. Prospective analysis
2. Retrospective analysis

1. PROSPECTIVE ANALYSIS

Helps administrators make judgments about the overall desirability of a given course of action as compared with other courses of action that would complete for the same funds and resources. The analysis comprises the following steps.

- Identification of goals and objectiveness to be achieved
- Identification of feasible course of action for achieving goals.
- Identification and measurement of costs of each alternative (E.g. Opportunity costs)
- Development of models that trace out the potential impact of each alternative.
- Setting of a criterion involving both cost and benefits that will identify the alternative.

2. RETROSPECTIVE ANALYSIS:

To develop the needed history for using CEA a planning tool, a modified version of the above steps can be applied to past programs and in limited way to current program.

Identify the previous programs:

- Goals and objectives
- Resources used to meet them
- The effect of the resources

- Efficiency in meeting goals, objectiveness

COST SIDE OF THE RATIO:

Continuing education costs may be analyzed in terms of departmental costs associated with program production or in terms of total department costs. They are

1. LABOR COSTS

Shipp describes three types of labor costs associated with continuing education departments: direct, indirect and unassigned.

Direct labor cost – these are those incurred when someone is paid for work that is directly related to a given course offering; they are faculty who plan and teach courses, faculty who help in program and audio visual experts.

INDIRECT LABOR COST :

- Somewhat harder to identify
- These are associated with programmed development but may be difficult to relate to specific offerings.
- Indirect labors are secretaries, continuing education director, departmental administrator.

2. MATERIAL COST : They are two types

- a. Direct material cost
- b. Indirect material cost

a. Direct material Cost -Includes duplication, Promotion, rentals, folders, bags, hand outs and course specific software

b. Indirect material costs -Includes indirect labor costs are associated with program

production in general but may not be able to be related to a specific course offering for eg. Kits, audiovisual hardware and software, poster display boards and lines may be assigned to the programs.

3. OVERHEAD : Refers to costs originating outside the department that are charged back as the department's share of the general organizational costs. Items commonly considered as part of overhead are salaries of the organization's top officers, maintenance of facilities, heat lights, power and taxes. Overhead costs are fixed costs and continue regardless of the production level, whereas direct labor and direct materials costs are variable costs i.e. they vary directly with the level of production.

4. NON-DEPARTMENTAL COSTS

In addition to all above costs continuing education programs also generate non – departmental costs. This is a crucial consideration at the institutional level where administrators

have to decide whether continuing education or some other activity can maximize institutional outcomes.

PROBLEMS IN COST IDENTIFICATION

The continuing educator who tries to encounter the problems which are not under their controls.

- Difficult to find out through and accurate cost data
- Cost that are shared with other department may hard to break down
- Organizational overhead rates may to illegal or non existent.

BENEFITS

Benefits can be defined as those goods which accrete to a person, institution or society is a result of investment of resources in a particular project. Benefits are analyzed through thoughtful opinion and evaluation.

COST EFFICIENCY

Programs can become more or less efficiency overtime certain learner variable can affect efficiency. Educational level, age internet, work setting or awareness of need may have implication for how efficiency a desired outcome can be produced.

Improving efficiency may mean

- Getting better results for the same cost
- Getting the same results for a lower cost
- Getting results for a lower cost.

APPLICATION OF COST EFFECTIVE ANALYSIS

CEA can help maximize the usefulness of resource for achieving any chosen goal. The values in the CEA can be manipulated in any way that reflects the goals and objectiveness of the continuing education provider.

SUMMARY

So far we have discussed about the introduction, cost effectiveness of computation – definition, uses of computers, CEA and CBA in nursing system, challenges in evaluating automated system. Cost effectiveness of the continues education – definition of continuous education, need for continuing education, cost effective analysis.

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