

# Price Your Services to Reflect Their Value

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# Service Pricing - Don'ts

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Medicaid rates are typically insufficient to create a sustainable and profitable business

Commercial insurance rates are meant to be *discounted*





# Service Pricing - Don'ts

*You cannot help anyone if your company spends more than it earns and cannot take care of you or your employees financially.*





# Service Pricing - Dos

Consider all of your costs

Consider the value delivered through your services

Plan for the future





$$\frac{\text{costs} + \text{profit margin}}{\text{total service hours}} = \text{hourly rate}$$



# costs

- Include fixed and variable costs
- Include operational and employee costs
- Calculate expenses at the level that makes sense for your org
- Calculate cost per month for each expense (or expense category)
- Remember to include the cost of non-revenue generating staff as part of your overhead





## costs + profit margin

- The \$\$ left over after paying the bills
- Calculate enough of a margin to leave room for negotiation



**costs + profit margin**

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**total service hours**

- The number service of hours per time period



$$\frac{\text{costs} + \text{profit margin}}{\text{total service hours}} = \text{hourly rate}$$





# Let's Try a Simple One

Monthly Costs: \$5,000

10% Profit Margin: \$500

Total Hours Delivered in a Month: 200



$\$5,000 + \$500$

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200 hours

=



# Variables That Influence Pricing

The total number of revenue generating employees

↑ employees = ↓ overhead cost/employee

The number of hours delivered by an employee, or type of employee

↑ hours = ↓ fixed employee costs/hour of service

Company standards for behavior analyst time bundled with RBT services

↑ QHP time = ↑ cost of employee time/hour of service

And many others...







# Build a Calculator

## Hourly RBT Level Employee Costs

	Week	Annual		
<b>RBT Hours Worked</b>		0		
<b>RBT Variable</b>	<b>Monthly</b>	<b>Annual</b>	<b>Average Hourly Rate</b>	<b>W/Taxes</b>
Health Insurance		\$ -		\$ -
Incentives (Appreciation)		\$ -		
Continuing Education		\$ -		
Professional Licensing/Registration		\$ -	<b>Average Hourly Cost</b>	
Retirement Plan		\$ -	#DIV/0!	
NB Time	\$ -	\$ -	<b>Per Employee Hourly Overhead Cost</b>	
<b>Total</b>	\$ -	\$ -	#DIV/0!	



BT costs + profit margin

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total BT service hours

=

hourly rate  
BT services





# Build a Calculator

## Salaried Behavior Analyst Level Employee Costs

BCBA Variable	Monthly	Annual	Average Annual Salary	W/Taxes	Service Hours Delivered
Health Insurance		\$ -		\$ -	
Incentives (Appreciation)		\$ -	Average Hourly Cost		
Continuing Education		\$ -	#DIV/0!		
Professional Licensing/Registration		\$ -	Per Employee Hourly Overhead Cost		
Retirement Plan	\$ -	\$ -	\$ -		
0	\$ -	\$ -	Average Annual Cost (Salary & Variable)		
<b>Total</b>	\$ -	\$ -	#DIV/0!		



BCBA costs + profit margin

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total BCBA service hours

=

hourly rate  
BCBA services



# The value hidden in bundled services



# Create Rules for Calculating Bundled Time

## QHP Bundled Time

<b>RULES</b>		
<i>Bundled: QHP services are included in cost of BT services &amp; direct QHP services</i>		
	<b>QHP Hours Per 1 BT Hour</b>	<b>QHP Indirect Per QHP Direct</b>
<b>BT assessment with QHP on site</b>	1.25	#na
<b>BT Assessment without QHP on site</b>	1	#na
<b>BT Direct Tx/Group Tx</b>	0.1	#na
<b>QHP Services (no assessment)</b>	#na	0.25
<b>QHP Assessment (all services included - no additional cost)</b>	#na	#na



$$\frac{(\text{BT hourly costs} + \text{cost of bundled QHP time})}{\text{total BT service hours}} + \text{profit margin} = \text{hourly rate BT services}$$





# Accounting for Bundled Services

Example: Direct Service Bundled Price

RBT Hourly Cost: \$20

BCBA Hourly Cost: \$40

BCBA Time Required for 1 Hour of RBT Time: 0.1 hours

Cost of BCBA Time/RBT Time:  $\$40 * 0.1 = \$4.00$



(\$20 + \$4)

(\$24 \* 10%)

\$24

+

\$2.40

= \$26.40

1



# Common Questions

That's a lot. Where do I start?

Small and simple. Try one service type, or an average rate for all services.

Practice with different numbers.

Build complexity as you gain confidence.



# Common Questions

Who can help me figure this out?

Your bookkeeper.

Your financial advisor.

Your accountant.

A business consultant.



# Common Questions

If I set new rates, will insurance companies pay me more?

That depends on the terms of your contract.

You can use the information to decide whether to renegotiate or remain in the contract.





# Common Questions

You just said I won't be paid more once I determine my prices? Why should I do this?

Increased understanding of your business.

Confidence when deciding to join a network.

Help the field in general by *charging* what the service is worth, not the agreed rate.



Communicate the **VALUE** of the services that  
your organization provides!



# Thank You!

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