

VHA PRODUCT DEPARTMENTS AND CLINICAL PRODUCTION UNITS

1. REASON FOR ISSUE: This Veterans Health Administration (VHA) Handbook provides instructions and guidance that allow VHA Central Office, Veterans Integrated Service Networks (VISNs), and Department of Veterans Affairs (VA) medical facility personnel to properly set up and utilize National Product Department and Account Level Budgeter Cost Center (ALBCC or ALB Cost Center) Codes in their managerial cost accounting and data analyses activities.

2. SUMMARY OF MAJOR CHANGES: This Handbook has been revised to remove references to and update the department name from Decision Support System (DSS) to Managerial Cost Accounting (MCA). All currently active, standardized product department and ALBCC Codes, along with applicable documentation, are contained on the Managerial Cost Accounting (MCA) web site at: http://vaww.dss.med.va.gov/programdocs/pd_depts.asp.

NOTE: This is an internal VA Web site and is not available to the public. The nationally standardized VHA Product Department ALBCC List and Codes must be used to connect clinical products and services and their corresponding costs to product departments (clinical work groups) to comply with VA cost accounting standards and Directives.

3. RELATED ISSUES: None.

4. RESPONSIBLE OFFICE: Office of the VHA Chief Financial Officer (CFO), Managerial Cost Accounting Office (MCAO), System Development and Standardization Section is responsible for the contents of this Handbook. Questions may be referred to the MCAO in Bedford, MA, at 781-687-4700.

5. RESCISSIONS: VHA Handbook 1750.1, dated October 19, 2009, is rescinded.

6. RECERTIFICATION: This VHA Handbook is scheduled for recertification on or before the last working day of April 2020.

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VHA PRODUCT DEPARTMENTS AND CLINICAL PRODUCTION UNITS

1. PURPOSE: This Veterans Health Administration (VHA) Handbook provides instructions and procedures to set up and properly utilize National Product Departments and Account Level Budgeter Cost Center (ALBCC) codes. **AUTHORITY:** 38 U.S.C. 7301(b).

2. BACKGROUND:

a. Department of Veterans Affairs Cost Accounting Standards.

(1) Compliance with Department of Veterans Affairs (VA) cost accounting standards requires that the VHA Chief Financial Officer (CFO) standardize clinical products and services within VHA. Each clinical product and service must be connected to a VHA product department. The product department is defined as a labor pool or clinical work group responsible for producing the related set of products mapped to the product department. It is the means for collecting or reporting related cost data. This Handbook, along with the product department ALBCC master list including production unit codes and clinical service codes, establishes the standard coding that is to be used in all VA medical facilities, Community Based Outpatient Clinics (CBOCs), and Divisions when specifying product departments.

(2) All VHA information technology systems and national reports must use these codes for any data field element called VHA product department.

b. Track Product Workload with its Responsible Producing Work Unit or Product Department. VHA, though a very large health care system, must have standardized data entities and coding for Product Departments, identifying clinical work units producing patient care products for which they are medically and legally responsible.

c. National VHA Data Reports for Internal VHA and Outside Agency Reporting. VHA must adhere to a single reference system for such entities as products and product departments. This is necessary to enable reliable cost comparisons of product departments across VHA. Product departments establish the repository for reporting standardized VHA Products (i.e., clinical workload and their related costs).

d. How National Managerial Cost Accounting Production Unit Codes are Used in Product Department Codes and in Account Level Budgeter Cost Center Codes.

(1) The managerial cost accounting (MCA) ALBCC Code is composed of three parts:

(a) The three-character prefix is the 2nd through 4th characters of the VA cost center (VACC). (The leading “7” or “8” is omitted) indicating the clinical service that manages the production unit.

(b) The two-character MCA production unit code reflects the work unit nationally and identifies the clinical activity (see the list of national clinical production unit codes on the MCA Web site at http://vaww.dss.med.va.gov/programdocs/pd_depts.asp for definitions of currently active production units). **NOTE:** *This is an internal VA Web site and is not available to the public.*

(c) The division suffix which may be one alphanumeric character, as needed, to reflect the division of site where the work unit exists. Example: MCA ALBCC Code 201MM1 is broken down as follows:

201	MM	1
VACC: Medicine	Production Unit Code: Primary Care Clinic	Division: Usually Main Division of a VA medical facility

(2) The Product Department Code is composed of a single character alphanumeric code to represent the Clinical Service managing the department, the two-character Production Unit Code, and the division suffix, just as in the ALBCC. The code or prefix indicating clinical service is assigned according to the “MCA product department service codes” document available on the MCA web site at http://vaww.dss.med.va.gov/programdocs/pd_depts.asp. *NOTE: This is an internal VA Web site and is not available to the public.* Example: product department code MMM1 is broken down as follows:

M	MM	1
Clinical Service Code: Medicine	Production Unit Code: Primary Care Clinic	Division: Usually Main Division of a VA medical facility

3. SCOPE: This Handbook provides:

- a. The basis and justification for standardized set up and use of product department and ALBCC Codes.
- b. Procedures on how to use the currently active VHA product department ALBCC master list.
- c. The approved list and rules for use of exempt ALBCC codes.
- d. Information on how the national VHA product department (and other) lists are maintained annually.

4. DEFINITIONS:

a. **Production Unit Code.**

(1) The intent of standardizing VHA product departments and ALBCCs is to provide categories that permit comparison of workload and cost data for the clinical service work units across the VHA enterprise. The clinical service at a VA medical facility will frequently have more than one VHA product department assigned to capture clinical workload and cost.

(2) When more detailed delineation is required (e.g., for six primary care teams in one division), VA medical facilities can add suffix characters to the ALBCC and VHA Product Department Codes for Production Unit (e.g., Primary Care “MMM1A”). The adding of suffix

characters provides more detail and makes the data more useful locally, yet still maintains the national standardization. Up to four alphanumeric characters may be used.

b. **Supervising Clinical Service.**

(1) To maintain comparability of major cost components for national VHA benchmarks, certain clinical production units must always have a standard clinical service code as the first character of the product department code. These prefix codes are defined on the “current service codes” tab of the current FY “combined master list” spreadsheet on the MCA web site at: http://vaww.dss.med.va.gov/programdocs/pd_depts.asp. *NOTE: This is an internal VA Web site and is not available to the public.*

(2) The most commonly associated clinical services that manage the production unit are in column C of “Current PUs” tab of the current FY “combined master list” spreadsheet on the MCA Web site at: http://vaww.dss.med.va.gov/programdocs/pd_depts.asp. *NOTE: This is an internal VA Web site and is not available to the public.*

(3) The supervising clinical service is represented by a three character cost center on the ALBCC that corresponds to the first character of the product department. Example: product department MMM1 = ALBCC 201MM1. Both the M on the product department and the 201 in the ALBCC signify the medicine service which is under VA cost center 8201.

c. **Indirect Departments.**

(1) Indirect Departments have cost but no direct patient products. They provide support to the direct departments (product generating departments). These indirect departments can support the facility or a specific clinical service.

(2) Indirect departments in support of a specific clinical service and use production units (00) administration, (01) research, and (02) teaching with the corresponding first character for that service. The DSS software treats these MCA departments as indirect to all the product-bearing departments for their corresponding clinical service as assigned in the allocation structure. All costs of a service’s indirect support departments are spread across the service’s product departments based on direct cost. Example: Department M001 or ALBCC 201001 indicates medicine service administration.

(3) Indirect departments in support of the facility use indirect allocation statistics that guide the distribution of costs:

(a) Square feet (for some 500 series VA cost centers), or PAIDHRS.

(b) Direct cost in the product departments.

(4) These indirect departments have a different structure to identify them as hospital indirect departments. These departments begin with a leading 9 followed by their corresponding three-digit cost center and division and are listed and defined on the “indirects & exempts” tab of the current FY “combined master list” spreadsheet on the MCA Web site at: http://vaww.dss.med.va.gov/programdocs/pd_depts.asp. *NOTE: This is an internal VA Web site*

and is not available to the public. Example: Department 94011 = ALBCC 401001, Office of the Director. This is from VA cost center 8401.

d. **Exempt ALBCCs.**

(1) There are costs incurred by a medical facility that cannot be associated with the patient care provided by the medical facility. These costs are brought into the DSS financial module (ALB) but must not pass to any Product Departments. These cost are collected in applicable ALBCCs that are designated Exempt and are listed on the “indirects & exempts” tab of the current FY “combined master list” spreadsheet on the MCA Web site that is located at: http://vaww.dss.med.va.gov/programdocs/pd_depts.asp. *NOTE: This is an internal VA Web site and is not available to the public.*

(2) Examples of these include the majority of non-VA care programs for which no workload is collected in DSS.

e. **MCA Product Department and/or ALB Cost Center Master List.** Each fiscal year, the VHA managerial cost accounting office updates the VHA national product department ALBCC master list and the production units lists. These lists can be found on the MCA Web site at: http://vaww.dss.med.va.gov/programdocs/pd_depts.asp. *NOTE: This is an internal VA Web site and is not available to the public.*

5. APPLICATION: The provisions of this Handbook apply to all of the following:

a. VA medical facilities and subordinate organizations (CBOCs, divisions, etc.) use code structures to designate VHA product departments and their counterpart cost centers, known as ALBCCs.

b. Clinical workload reported in VHA systems that serve as feeder systems to MCA and other national databases, national data warehouses, and national VHA data marts. Sufficient data must be recorded in the clinical system that serves as an MCA feeder system that associates clinical workload or service to a VHA product department.

c. Joint federal health care centers serving eligible beneficiaries of both VA and the Department of Defense.

d. National reports on patient care (service) that provide as output VHA product departments.

6. ACCOUNT LEVEL BUDGETER AND DEPARTMENT COST MODEL PRODUCT DEPARTMENT CODING RULES:

a. The master list of product departments ALBCCs is to be used by facilities when setting up their departments.

b. If a facility does not find an entry on the master list that meets their needs, the facility must contact the VHA MCA product department council.

c. In 99 percent of the product department code ALBCC entries, the first character of the product department and the first three numbers of the ALBCC correspond (i.e., the clinical service indicated by the 1st character of the product department code and the 1st three numeric characters of the ALBCC stand for the same clinical service). VA cost center (VACC) changes have resulted in a departure from this rule of thumb in some cases. For example, VACC 8250 was activated in 2005 to capture care coordination home telehealth (CCHT) equipment costs that were recorded in a prosthetics supply ordering department (QSP1). Prior to 2005, the ALBCC used to map costs to the department was 272SP1 with the 272 corresponding to VACC 8272 (prosthetics). Both 250SP1 and 272SP1 are valid ALBCCs to map these costs to this department.

d. To control the number of product departments and ALBCCs on the national template while enabling VA medical facilities to structure more detail in their work units, suffixes may be used. Except for those specifically identified department/ALBCCs with a suffix on the national template, sites may freely use a suffix for local use to further define sub-departments for workload and cost. If suffixes are used, they need to start with the fifth character of the product department and the seventh character of the ALBCC number.

e. Define MCA departments large enough so that management responsibility and accountability exist. The production unit should have identifiable labor and products. It is suggested that a production unit have at least 0.4 full-time employee equivalent (FTEE) and/or produce an average of 16 products per week (832 annually). The final decision on production unit sizing however, should be left to the Veterans Integrated Service Network (VISN) and facility.

f. The fourth and fifth characters of the ALBCC must match the second and third characters of the MCA Department. The only permitted exceptions are those cost centers that have been determined to be exempt from product costs; these will not have a corresponding MCA department.

7. PROCESS TO UPDATE ACCOUNT LEVEL BUDGETER COST CENTER AND DEPARTMENT COST MODEL MANAGERIAL COST ACCOUNTING PRODUCTION UNIT CODES:

a. Each year, the list of MCA production units is updated by MCAO and coordinated with:

- (1) New stop code changes;
- (2) New clinical technology or program changes at VA medical facilities; and
- (3) Other organizational changes that affect the accounting structure.

b. For all new ALBCC requests, the end of the review period for product departments is June 1 of the year before the new fiscal year. **NOTE:** *In emergency situations, some new Department ALBCCs can be added when requested as late as September of the year before the new fiscal year. These situations do not occur often.*

8. REFERENCES: The following lists and related documentation are on the product department and production units page on the MCA Web site at: http://vaww.dss.med.va.gov/programdocs/pd_depts.asp. *NOTE: This is an internal VA Web site and is not available to the public.* Documents on the Web site other than those listed below are to be used for research only and not for current processing.

- a. Request a new product department.
- b. MCA product department service codes.
- c. Product department – ALBCC mapping description.
- d. Product department – ALBCC guidelines.
- e. National product department - ALBCC master list (for the current fiscal year).
- f. Production unit codes (for the current fiscal year).