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The True Cost of a Study Coordinator Hour

By Norman M. Goldfarb

Acme Research lost money last year on clinical research. It concludes that it is underestimating the cost of its study coordinators. To operate profitably, Acme needs to understand its coordinator cost per hour and charge sponsors accordingly.[1]

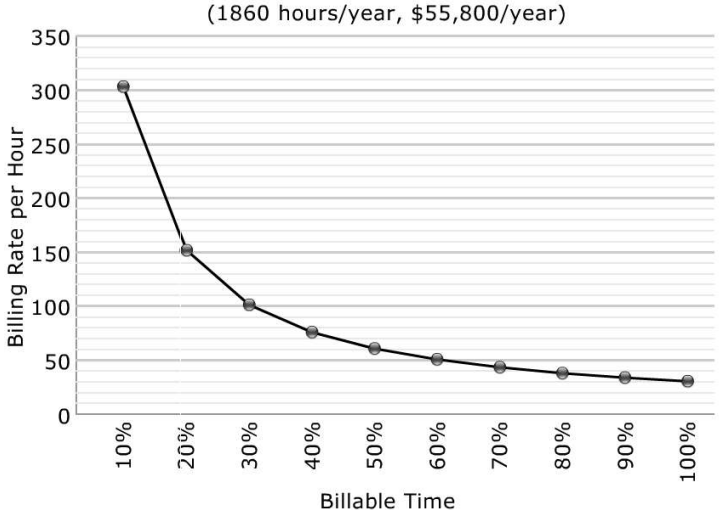
Acme pays its coordinators an average of $40,000 per year, less than 75% of sites according to the 2003 ACRP salary survey. Payroll taxes, insurance and other benefits increase the cash cost of employing a coordinator 20% to $48,000/year. Because its coordinators are salaried, Acme does not pay overtime. There are 260 business days in a year (52 weeks X 5 days/week). Deducting 11 days for holidays, 10 days for vacations, and 9 days for sick and miscellaneous leave nets 230 work days per year. Assuming 8 working hours/day, there are 1,840 works hours per year, so Acme decides to accept only studies that compensate for coordinator time at the rate of $48,000/1,840 = $26.09/hour.

A year passes. Acme eliminated its least profitable studies but still lost money. It reviews its costs again. It realizes that had not accounted for overhead. It calculates that rent, utilities, insurance, supervision, accounting services, etc. account for an additional 20% of its operating costs, so it adds 20% to its hourly rate for coordinators: $26.09/hour X 120% = $31.30/hour.

A year passes. Acme eliminated its least profitable studies but still lost money. It reviews its costs again. It realizes that it had not accounted for the hidden costs in conducting a clinical trial. (As shown in Chart 1, billable time percentage has a major impact on profitability.) Based on a time study, it estimates that only 40% of the time its coordinators spend on studies – an average of about three one-hour billable visits per 8-hour day – is billable per the study budget. Acme therefore increases its hourly rate for coordinators to $31.30/40% = $78.26/hour.

Chart 1. Impact of Hidden Costs

(1860 hours/year, $55,800/year)



A year passes. Acme eliminated its least profitable studies but still lost money. It reviews its costs again. It realizes that it had not accounted for the time its coordinators spend that is not directly related to paying studies: education and certification, reviewing protocols for studies not conducted, staff meetings, performance reviews, being sociable with the medical assistants, employee birthday parties, etc. It estimates that these activities consume 20% of its coordinators' time. Acme therefore increases its hourly rate for coordinators to $78.26/80% = $97.83/hour.

A year passes. Acme eliminated its least profitable studies but still lost money. It reviews its costs again. It realizes that, on average, it is unable to collect 5% of the fees that it thinks it

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earned because of its own cost increases, unreimbursed screen failures, and other costs that its sponsors deem "the cost of doing business". Acme therefore increases its hourly rate for coordinators to $97.83/95% = $102.97/hour. It also realizes that it takes an average of 120 days to collect revenue after it performs a billable activity. Acme has a bank line of credit at 12% interest per year, so a four-month collection period costs it 4% (excluding compound interest). Acme therefore increases its hourly rate for coordinators to $102.97/96% = $107.27/hour.

A year passes. Acme eliminated its least profitable studies but still lost money. It reviews its costs again. It realizes that "one-time" events such as cancelled studies, impossible-to-enroll studies, FDA audits, equipment replacement, etc. cost it the equivalent of 5% of its revenue over the past few years. Acme therefore increases creates a 5% contingency reserve and increases its hourly rate for coordinators to $107.27/95% = $112.91/hour.

A year passes. Acme eliminated its least profitable studies and broke even. Dr. Acme is not interested in conducting research as a break-even activity because he can spend his time profitably seeing regular patients. He is also concerned about his financial exposure if a study subject is injured. He doesn't expect to make a lot of money on clinical research, so he sets a profit margin goal of 10%. Acme therefore increases its hourly rate for coordinators to $112.91/90% = $125.46/hour.

Acme realizes that most sponsors are unwilling to pay $125 for coordinator time, so it embarks on a crash cost reduction program so it can reduce its billing rate by 20% to $94/hour.

A year passes. Acme has eliminated all of its unprofitable studies and is out of business. Other sites – that do not understand their costs – are willing to charge their coordinator time at $40/hour. Those sites figure they are earning a 100% markup on their coordinator time.

A year passes. The sites that were charging $40/hour for coordinator time are out of business too. They don't understand why they lost money, but they do know that making money in clinical research is not so easy after all. Fortunately for the sponsors, a new batch of eager and naive investigators has arrived. They may not enroll subjects, comply with regulations, or produce usable data, but the price is right.

Note

The numbers in this article are for illustration purposes only. The numbers for each research site will vary. A spreadsheet to calculate hourly coordinator rates is available at https://www.sitecouncil.org/attachments/0511_Coordinator_Rates.xls

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