

# Cost Allocation

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## Overview

In this lesson you will learn about cost allocation, a method that allows public health departments and health care organizations to determine the full costs of operating responsibility centers (operating units that generate revenues from government sources, grants, or patient care) within the organization.

## Objectives

By the end of this module, you will be able to

- explain cost allocation and discuss why it is important for health care organizations.
- describe a responsibility center, and explain the difference between a cost center and a profit center.
- define a cost pool and a cost driver.
- describe two methods to allocate overhead costs among profit centers.
- apply cost-allocation principles across a wide range of public health, health care, and nonprofit organizations.
- define and differentiate among direct costs, indirect costs, and full costs.
- explain the differences and similarities between the concepts of cost behavior and cost allocation.

## Learning Activities

1. **Reading:**
  - The **Study Notes** for this module
2. **Study Questions:** Answer the **Study Questions** for this lesson