

Is Waste Disposal Reimbursable?

I was in a discussion the other day about expenses that lead to reviewing hazardous waste disposal costs. The shop owner was concerned about how much that expense had risen and eating at profits. I explained that they should be charging for waste disposal as it is billable as part of the claim.

Any expense you incur during a collision repair is directly linked to the insurance claim and is reimbursable. For this reason, waste disposal is reimbursable as you would not have the expense without a claim. You would not need to dispose of cardboard if you didn't order a part, nor would you need to process waste liquids or discard damaged sheet metal if a vehicle did not come in for collision repair. When I review damage appraisals, I see some with "hazardous waste disposal" on a bottom line and a small dollar amount billed, but is that based on cost, or is it a token fee?

When I coach customers through determining their waste disposal cost, I ensure their calculations include all disposal expenses, not just "hazardous waste" disposal. When you calculate the cost using labor hours **and** disposal billings to determine a true fee, you will gain reimbursements based on actual costs. This formula will give you a true waste disposal fee that is consistent and repeatable, increasing billing acceptance. Most mechanical repair facilities use a similar process to determine disposal fees, so why shouldn't collision centers?

To calculate the fee, gather your disposal billings for 90 days. Then, track your labor hours during that time since every labor hour turned creates a disposal requirement. Depending on your business, billings can include hazardous waste, cardboard, sheet metal, waste liquids and landfill collection. To calculate the totals, subtract reimbursements you receive for cardboard and sheet metal recycling. This formula will produce a consistent number that is defensible through your documentation.

For example, 90 days of data for your business might conclude that waste disposal costs are \$3,830 and labor is 7504 hours which equates to \$1,275.68 a month. To calculate your cost for waste disposal, you would divide your disposal costs by your hours sold, which in this example is 51 cents per labor hour. Applying this to an average RO, with 24.5 total labor hours, results in a waste disposal fee of \$12.50, which you would document as shown below.

89		Waste disposal fee	\$12.50
	Note	Waste disposal fee calculated at \$.51 per labor hour based on cost of disposal services.	

While your results might be different I encourage you to perform the calculations and save your documentation to show those that might question your charges. You can double-check your calculations with the monthly disposal fees shown on your profit and loss statement to validate that you are being properly reimbursed.

I am sure that you can see that you generate a significant expense discarding items you accumulate while repairing a vehicle. Just the \$1,275.68 a month we used in the example accounts for \$15,308.16 in annual expense that I'm sure would look better on a net profit line rather than shown as an expense. Reviewing your expenses to determine which are reimbursable is the key to profitability and maintaining a sustainable business.