

Foundational equations for determining rates and agency margins

Consider using this document to aid in understanding the equations that are used to determine different bill and wage rates as well as margins and maximum allowable margins. You will find multiple scenarios to help support your calculations. However, it is the responsibility of the contract agencies to ensure accuracy of calculations.

FOUNDATIONAL EQUATIONS:

$$\text{Bill Rate (\$)} = \text{Wage Rate (\$)} + \text{Agency Margin (\$)}$$

$$\text{Agency Margin (\$)} = \text{Bill Rate (\$)} - \text{Wage Rate (\$)}$$

$$\text{Wage Rate (\$)} = \text{Bill Rate (\$)} - \text{Agency Margin (\$)}$$

$$\text{Agency Margin Cap (\$)} = 34.2\% \text{ of Bill Rate} = \text{Bill Rate (\$)} \times 0.342$$

$$\text{Wage Rate Minimum (\$)} = 65.8\% \text{ of Bill Rate} = \text{Bill Rate} \times 0.658$$

Scenario 1

I know my **Wage Rate**; I want to know my maximum **Bill Rate** if I maximize my agency margin at 34.2%.

Note: When calculating with the known variable of Wage Rate, the resulting Bill Rate may end up higher than maximum allowable Bill Rate per House Bill 2665, OAR 409-039-0040, in which case the Agency Margin percent would need to be decreased, the Wage Rate would need to be decreased, or a maximum bill rate waiver would need to be submitted for the desired bill rate.

$$\text{Wage Rate (\$)} \div 0.658 = \text{Bill Rate (\$)}$$

Scenario 2

I know my **Wage Rate**; I want to know my maximum **Agency Margin \$** if I maximize my agency margin at 34.2%.

Note: When calculating with the known variable of Wage Rate, the resulting Bill Rate may end up higher than maximum allowable Bill Rate per House Bill 2665, OAR 409-039-0040, in which case the Agency Margin percent would need to be decreased, the Wage Rate would need to be decreased, or a maximum bill rate waiver would need to be submitted for the desired bill rate.

$$(\text{Wage Rate (\$)} \div 0.658) - \text{Wage Rate (\$)} = \text{Agency Margin (\$)}$$

Scenario 3

I know my **Bill Rate**; I want to know my maximum **Agency Margin \$** if I maximize my agency margin at 34.2%.

$$\text{Bill Rate (\$)} \times 0.342 = \text{Agency Margin (\$)}$$

Scenario 4

I know my **Bill Rate**; I want to know my minimum **Wage Rate** if I maximize my agency margin at 34.2%.

Note: Maximum Wage Rate is 100% of Bill Rate

$$\text{Bill Rate} \times 0.658 = \text{Wage Rate Minimum (\$)}$$