ECU Office of Sponsored Programs Guidance
Patient Care Costs and Applicable F&A on Grants and Contracts for Provision of Health Care Services

Patient Care Costs are based on established rates for medical research procedures. These rates take into account the cost of providing the medical procedures required for the research (i.e., outside of standard of care), including labor, supplies, equipment use, facilities, and administration. NIH allows charging of Patient Care Costs for research procedures provided the rates have been negotiated with the U.S. Department of Health and Human Services based on actual cost data or estimated, justified, and approved by USDHHS. If such Patient Care Costs for research are charged to grants and contracts, they are excluded from the Modified Total Direct Cost base to which Facilities & Administration (F&A) costs are charged because overhead costs are already included in the negotiated rates. NIH is silent on use of "Patient Care Costs" for grants and contracts under which the services provided are standard of care.

There is no federal or other requirement that a grantee/contractor negotiate or apply patient care rates on grants and contracts for either research or service provision. East Carolina University does not recognize rate-based patient care costs in its grants and contracts accounting structure. Instead, for projects that involve provision of standard medical services, ECU charges the costs of personnel to deliver the services and other related supplies and expense. Because these expenditures are recognized under 2 CFR 200 (Uniform Guidance) as direct costs and are not part of a rate structure to which overhead has already been applied, they are subject to F&A charges. Costs for provision of standard medical services by ECU should be budgeted in regular cost categories, such as personnel, supplies, and other expenses, and the allowable F&A rate applied. Patient care services provided by a third party under an ECU sponsored project should be budgeted as a contractual service that is subject to application of the appropriate F&A rate.

When ECU is acting as a direct recipient or as a subawardee of federal funds as described in 2 CFR 200, the applicable F&A rate for provision of health care services is 44.5% of Modified Total Direct Costs (i.e., the "Other Sponsored Programs" rate). Modified Total Direct Costs, as identified in ECU’s federally negotiated F&A rate, include "all salaries and wages, fringe benefits, materials, supplies, services, travel and subgrants and subcontracts up to the first $25,000 of each subgrant or subcontract (regardless of the period covered by the subgrant or subcontract)" that are charged to the grant/contract. Because rate-based patient care costs are not utilized by ECU, there are no patient care costs to be excluded from the MTDC base.

When the prime sponsor restricts full F&A recovery, the restricted rate is almost always based on Total Direct Costs (e.g., the HRSA 10% limit on administrative costs for service programs). Thus, whether or not an institution employs rate-based patient care costs is moot in the application of a restricted F&A rate.

When ECU is serving in a vendor role (i.e., provider of medical services with no substantive involvement in project planning, evaluation, publication, etc.) when federal funds are passed through the North Carolina Department of Health & Human Services, the applicable F&A rate is 10% of TDC, based on the Master Agreement between the University of North Carolina and NCDHHS executed in December 2015. Non-federal NCDHHS projects for which ECU provides routine medical services are also subject to 10% of TDC per the Master Agreement.

ECU does not waive or reduce the amount of F&A to which it is entitled under 2 CFR 200 and the UNC/NCDHHS Master Agreement. Project Directors are urged to limit the scope of services to those which the project budget can support. Alternatively, departments may choose to underwrite any program costs that are not covered by the project budget as voluntary uncommitted cost-share (i.e., absorption of the costs without quantification or tracking).