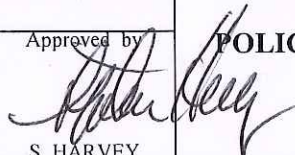


FINANCIAL MEMORANDUM

Memorandum No. 188	<p align="center">ICAHN SCHOOL OF MEDICINE AT MOUNT SINAI (ISMMS)</p> <p align="center">POLICY FOR DEVELOPING RATES FOR PAYMENTS BASED ON MILESTONES/DELIVERABLES UNDER RESEARCH AWARDS</p>	Page 1 of 2
Approved by  S. HARVEY		Date Issued/Amended 01/13/2017 Replaces

I. Purpose:

There are some federally funded research awards, where a set rate/amount is charged, based upon a milestone/deliverable, such as when a set amount per patient enrolled is included in the budget. Additionally, in some cases add-on specialized service(s) may be required to achieve the milestone/deliverable. The add-on services may include services, such as specialized observation/special instructions etc., provided to research subjects. This policy provides guidance on developing the rates/set amount (hereafter referred to as 'rate') for such work.

II. Types of Services and Calculation of the Rate:

There can be four types of costs included in the milestone/deliverable rate chargeable to the grant:

- (i) Oftentimes all or a portion of the rate for a milestone/deliverable consists of patient care costs, as defined in the NIH Grants Policy Statement Section 19. The Hospital's Research Patient Care Costs Rates negotiated with the DHHS should be used for services covered under the agreement.

For services not covered by the standard charge, the cost shall be computed consistent with the principles and procedures used by the Medicare program for determining the portion of Medicare reimbursement. This means that the Medicare billing rate is adjusted to the Cost to Charge Ratio to reflect actual cost incurred by the institution. Sponsored Projects Finance will work with the Mount Sinai Hospital Finance to obtain the actual costs for the service from the Cost Report and the calculation of the Cost to Charge Ratio.

In all cases, the rate shall not exceed the lesser of the actual cost or the Cost to Charge Ratio calculated based on the actual costs included in the Medicare cost report.

- (ii) In addition to the above, the study may require effort provided for specialized/additional activity, i.e. specialized observance/special instructions, provided by technicians and/or other personnel, including investigators. These costs may be charged to the award through a cost based service charge. A template to calculate the rate is attached, as an example, to assist in the accumulation of eligible costs and development of a cost based rate (normally an hourly rate), for these specialized and/or additional services. The rate development and calculation is reviewed and approved by Compliance and Sponsored Projects Finance. The published rates from institutes/departments must comply with this policy.
- (iii) Apart from the above two costs, in rare cases because of the nature of the study and/or, required skill set of the personnel, the same person who provides services through the rates above may also provide additional services. These additional services may be budgeted on the salary lines. In such cases, special care must be taken to distinguish the different activities covered. A clear differentiation should be made between charges covered in the rate(s) for the milestone/deliverable and the percent effort requested on the salary line in the personnel section of the budget. A concise description as to why these additional services are required and how they do not overlap must be set forth on the grant's budget justification to the extent allowed by the application guidelines. Proper care should be taken as noted above, so the same effort/cost is not charged twice. It is the principal investigator/or his representative such as the Department Administrator's responsibility to verify that the award is not being charged twice for the same service.
- (iv) Other costs - Any other cost included in the rate for the milestone/deliverable such as subject travel reimbursement must be allowable, allocable and reasonable.

The use of a milestone/deliverable line item or items does not preclude more traditional methods of budgeting. Depending on the requirements of the study, there may be other costs such as equipment, supplies, travel etc. These should be budgeted and charged to the respective cost category.

Questions or requests for further interpretation of this memorandum may be directed to the Sponsored Projects Finance Department and/or the Director Research Compliance. This memo does not address the financial aspects of industry sponsored clinical trials which are addressed by the FACTS office (Financial Administration of Clinical Trial Services).