

## ***Which IDC Rate is Appropriate for Your Agreement?***

### **IDC Rates for Research Predominantly Occurring in ON-SITE research space:**

*Projects are subject to the on-site IDC rate when they occupy space designated for research purposes that is owned or rented by the Partners hospital or institute with all rental and facilities costs covered by hospital or institute funds. This may include some clinical research and trials performed in research spaces (ex. Center for Clinical Investigation space is considered on-site research space).*

- **DHHS Negotiated Onsite IDC (FY19 – 79% on MTDC)**
- **Corporate Sponsored Onsite IDC Rate (FY19 – 79% on TDC)**  
Any type of corporate sponsored research (clinical research or bench-based research) occurring in onsite research space.

### **IDC Rates for Research Predominantly Occurring in OFF-SITE research space:**

*Projects are subject to the off-site IDC rate when they occupy space that is not owned by the hospital or institute and the cost of the lease and related facility costs are directly charged to the project; or where the majority of research activity is conducted in space designated as clinical care areas within the hospital (ex. regular outpatient or inpatient clinical care areas are considered off-site research space).*

- **DHHS Negotiated Offsite IDC (FY19 – 29% on MTDC)**
- **Corporate Sponsored Offsite Clinical Trial Rate (FY19 – 30% on TDC)**  
Corporate sponsored clinical trials performed in patient care areas use a special industry clinical trial rate.

### **Other Special IDC Rates**

- **Non-Standard Rates for Non-Profit Sponsors**  
Proposals or applications to a foundation or other public charity or non-profit in support of a research project must be submitted at the F&A rate published on the sponsor's web site or in an official policy document. A letter from the sponsor does not constitute a published rate or policy document. In the absence of a published rate, proposals or applications must be submitted at no less than the Partners Sundry overhead rate.
- **Sundry Fund Rate and IDC Floor (FY19 – 15%)**  
In all instances, the F&A recovery to the institution shall be no less than the Partners Sundry overhead rate. If the award does not include funding sufficient to cover the Partners Sundry overhead rate, the PI or department is financially responsible for covering the shortfall from Sundry or physician department resources. Foundation, public charity and non-profit training fellowships, and billing agreements are exempt from this shortfall requirement.
- **Industry Training Fellowships:**  
Proposals or applications to an industry sponsor submitted through Partners Innovation must be submitted at the Partners Sundry overhead rate. If the award does not include funding sufficient to cover the Partners Sundry overhead rate, the PI or department is financially responsible for covering the shortfall from Sundry or physician department resources.
- **Institutional Service Agreements (ISAs):**  
ISAs are subject to a rate of 44% for non-profit/academic/research organizations, 59% for commercial entities and the current federal rate for agreements of \$500,000 or more. Rates are calculated on the TDC Base. The use of a different rate requires CFO approval prior to execution of the ISA agreement.

### **More Information**

- Watch Paul Anderson's presentation, "Demystifying IDC in Research": <http://tinyurl.com/IDCanderson2019>
- Review the Partners F&A Policy: [tinyurl.com/FandApolicy](http://tinyurl.com/FandApolicy)
- Review the Sundry Fund Policy: [tinyurl.com/sundryfundpolicy](http://tinyurl.com/sundryfundpolicy)

## Frequently Asked Questions

A number of frequently asked questions were addressed when Brigham Health Chief Academic Officer, Paul Anderson, MD, PhD, gave a presentation on “Mysteries of Research Finance: Indirect Costs”. To watch a video of the presentation, click here: [tinyurl.com/andersonIDC2019](http://tinyurl.com/andersonIDC2019) (will only work when connected to Partners network)

### What does the indirect cost rate cover?

The indirect cost rate is intended to cover common infrastructure costs such as space, utilities, maintenance, and administration. These are costs that aren't allocated directly to a specific project but are paid for by the hospital to support the broader research community.

Indirect costs are split into two segments:

Facility Costs - “F”: such as Building Rent and Depreciation, Utilities, Building Operations/Maintenance

Administrative and General Costs – “A”: such as

*Research Admin* – Research Management (Central, Hospital, & Dept), IRB, Licensing/Agreements

*Support Services* – Purchasing, Receiving, Information System, HR, Legal

The onsite IDC rate is calculated to cover both the Facility and Administrative costs (F&A) since these activities are happening in research space that is paid for by the hospital. The offsite rate covers only the Administrative costs (A only) since the research activity is occurring either 1) in space not considered “research space” since it is occurring in clinical space which is paid by other sources, or 2) in space paid where the leases/space costs are paid directly by a grant.

### Why doesn't any of the IDC go back to investigators or departments?

The indirect portion of revenue brought in through grants goes directly to the hospital cost pool to cover all of the F&A costs incurred by the hospital. The total BWH indirect costs are much higher than what the hospital actually collects in indirect revenue; in total, our IDC recovery is about half of the actual indirect cost incurred by the hospital. As such, the hospital regularly subsidizes the indirect costs of research to the tune of about \$60,000,000 - \$90,000,000 per year.

In addition to this subsidy, the hospital also flows other research support to investigators and departments through a few different mechanisms. The Brigham Research Institute distributes about \$2,500,000/year directly to investigators through a variety of different funding programs (<http://www.bwhresearch.org/funding/>). In addition, if the total research indirect revenue increases by at least \$1,000,000/year, then the hospital will return \$1,000,000 to be proportionally distributed to departments based on their proportional contribution to the hospital's total research IDC contribution.

### Why is the BWH IDC rate so high?

The indirect cost rate is negotiated annually with the federal government and is based on a very detailed accounting of all true research F&A costs. Our high F&A rates are driven significantly by space costs. About 2/3 of the full onsite IDC is to cover space.

It's also important to note that different types of institutions are subject to different federal cost principles which impact indirect cost rates. For example, educational institutions are capped in terms of reimbursement for administrative costs, so educational institutions tend to have lower IDC rates than free-standing hospitals which are not capped in the same way.

### Why does BWH have a 15% IDC floor?

BWH requires all research awards (except training/mentored awards) to be charged an IDC rate of at least 15%. If a sponsor has a published IDC rate which is lower than 15%, BWH expects the investigator or their department to use discretionary funds to make up the difference. This IDC floor, in effect across Partners, is consistent with practice at many institutions and is intended to ensure projects make some contribution to the indirects costs of performing the research. On average, it costs about \$0.90 in F&A for every \$1.00 of direct research. A project with an IDC rate of 15% means that the hospital is subsidizing \$0.65 for every \$1.00 spent on direct research. IDC recoveries lower than the floor are simply unsustainable for the institution in aggregate.