



DEPARTMENT OF HEALTH & HUMAN SERVICES

Program Support Center  
Financial Management Service  
Division of Cost Allocation

26 Federal Plaza-Room 41-122  
New York, New York 10278  
PHONE: (212)-264-2069  
FAX: (212)-264-5478

December 11, 2006

Mr. Ronald E. Bartlett  
Vice President & Chief Financial Officer  
Boston Medical Center (formerly Boston Univ.  
Medical Center Hospital)  
660 Harrison Ave., 2nd Floor  
Boston, MA 02118-2393

Dear Mr. Bartlett:

A negotiation agreement is being faxed to you for signature. This agreement reflects an understanding reached between your institution and a member of my staff concerning the rates or amounts that may be used to support your claim for costs on grants and contracts with the Federal Government. The agreement must be signed by a duly authorized representative of your institution and faxed to me; retain a copy for your file. Our fax number is (212) 264-5478. We will reproduce and distribute the agreement to awarding agencies of the Federal Government for their use.

Requirements for adjustments to costs claimed under Federal Grants and Contracts resulting from this negotiation are dependent upon the type of rate contained in the negotiation agreement. Information relating to these requirements is enclosed.

In consideration of this agreement, the following was agreed to:

1. A fringe benefit proposal based on actual cost for fiscal year ended September 30, 2006 should be submitted with your fiscal year ended September 30, 2006 indirect cost rate proposal.
2. The settlement of the actual fringe benefit rates for fiscal year ended September 30, 2005 resulted in an over-recovery of (\$411,446). The over-recovery for fiscal year 2005 is to be included in your actual fringe benefit rate proposal for fiscal year ending September 30, 2008.

The following is a recap of fringe benefit over-recoveries to be included in the actual fringe benefit proposals submitted for the fiscal years shown below.

| <u>FROM FISCAL YEAR</u> | <u>TO FISCAL YEAR</u> | <u>(OVER-RECOVERY)</u> |
|-------------------------|-----------------------|------------------------|
| 2003                    | 2007                  | (\$1,286,839)          |
| 2004                    | 2006                  | (\$1,019,576)          |
| 2005                    | 2008                  | (\$ 411,446)           |

Mr. Ronald E. Bartlett

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A proposal encompassing all activities of your institution together with the required supporting information must be submitted to my office at the address shown below for each fiscal year your institution claims costs under grants and contracts awarded by the Federal Government. This proposal is due within six months after the close of your fiscal year. Therefore, a proposal for fiscal year ending September 30, 2006 will be due in my office not later than March 31, 2007. The proposal will be used to establish rates/amounts for the fiscal year subsequent to the last period covered by an approved final, fixed, or predetermined rate(s). Failure to submit a timely proposal will be interpreted as a forfeiture of reimbursement for indirect costs. Therefore, unless a proposal is received by March 31, 2007, future awards made by the Department of Health and Human Services will be for direct costs only and will not provide for the recovery of costs contained in this agreement. In addition, the costs claimed against awards already made may be subject to disallowances.

If you are unable to submit your proposal by the prescribed date, you may request an extension. This request must be submitted prior to the due date of the proposal and must contain a justification for the extension and the date the proposal will be submitted.

Your proposal and relevant correspondence should be addressed to:

Department of Health and Human Services  
 Division of Cost Allocation  
 26 Federal Plaza, Room 41-122  
 New York, New York 10278  
 (212) 264-1823

In addition, please acknowledge your concurrence with the comments and conditions cited above by signing this letter in the space provided below and FAX (212-264-5478) it to me with the enclosed negotiation agreement.

Sincerely,



Robert I. Aaronson  
 Director, Division of  
 Cost Allocation

Enclosures  
 Concurrence:

\_\_\_\_\_

Name

\_\_\_\_\_

Title

\_\_\_\_\_

Date

HOSPITAL RATE AGREEMENT

ORIGINAL

EIN #: 1043314093A1

DATE: December 11, 2006

HOSPITAL:

Boston Medical Center  
 (formerly Boston Univ. Medical Center Hospital)  
 One Boston Medical Center Place  
 Boston MA 02118-2999

FILING REF.: The preceding Agreement was dated September 7, 2005

The rates approved in this agreement are for use on grants, contracts and other agreements with the Federal Government, subject to the conditions in Section III.

SECTION I: INDIRECT COST RATES\*

| RATE TYPES: FIXED |                  | FINAL         | PROV. (PROVISIONAL)                                                                     | PRED. (PREDETERMINED) |                      |
|-------------------|------------------|---------------|-----------------------------------------------------------------------------------------|-----------------------|----------------------|
| TYPE              | EFFECTIVE PERIOD |               | RATE (%)                                                                                | LOCATIONS             | APPLICABLE TO        |
|                   | FROM             | TO            |                                                                                         |                       |                      |
| PRED.             | 10/01/06         | 09/30/07      | 61.0                                                                                    | On-Site               | Research             |
| PRED.             | 10/01/06         | 09/30/07      | 22.5                                                                                    | Off-Site              | Research             |
| PRED.             | 10/01/06         | 09/30/07      | 35.9                                                                                    | All                   | Other Sponsored Act. |
| PROV.             | 10/01/07         | UNTIL AMENDED | Use same rates and conditions as those cited for fiscal year ending September 30, 2007. |                       |                      |

\*BASE:

Total direct costs excluding capital expenditures (buildings, individual items of equipment; alterations and renovations); subawards; hospitalization and other fees associated with patient care whether the services are obtained from an owned, related or third party hospital or other medical facility; rental/maintenance of off-site activities; student tuition remission and student support costs (e.g., student aid, stipends, dependency allowances, scholarships, fellowships).

HOSPITAL:  
Boston Medical Center  
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SECTION I: FRINGE BENEFITS RATES\*\*

RATE TYPES: FIXED                  FINAL                  PROV. (PROVISIONAL)                  PRED. (PREDETERMINED)

| <u>TYPE</u> | <u>EFFECTIVE PERIOD</u> |               | <u>RATE (%)</u>                                                                         | <u>LOCATIONS</u> | <u>APPLICABLE TO</u> |
|-------------|-------------------------|---------------|-----------------------------------------------------------------------------------------|------------------|----------------------|
|             | <u>FROM</u>             | <u>TO</u>     |                                                                                         |                  |                      |
| FIXED       | 10/01/06                | 09/30/07      | 26.0                                                                                    | All              | All Employees        |
| PROV.       | 10/01/07                | UNTIL AMENDED | Use same rates and conditions as those cited for fiscal year ending September 30, 2007. |                  |                      |

\*\*DESCRIPTION OF FRINGE BENEFITS RATE BASE:  
Salaries and wages.

HOSPITAL:

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SECTION II: SPECIAL REMARKS

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TREATMENT OF FRINGE BENEFITS:

The fringe benefits are charged using the rate(s) listed in the Fringe Benefits Section of this Agreement. The fringe benefits included in the rate(s) are listed below.

TREATMENT OF PAID ABSENCES:

Vacation, holiday, sick leave pay and other paid absences are included in salaries and wages and are claimed on grants, contracts and other agreements as part of the normal cost for salaries and wages. Separate claims for the costs of these paid absences are not made.

1. Boston Medical Center was formerly Boston University Medical Center Hospital, Boston City Hospital and Boston Speciality and Rehabilitation Hospital and Trustees of Health and Hospitals of the City of Boston, Inc.
2. Equipment means an article of nonexpendable, tangible personal property having a useful life of more than two years and an acquisition cost of \$5,000 or more per unit.
3. The following fringe benefits are included in the fringe benefit rate: FICA, Pension, Health Insurance, Dental Insurance, Life Insurance, Long Term Disability Insurance, Short Term Disability Insurance, Worker's Compensation and Unemployment Insurance, Flex Benefit Payout, and Human Resources.
4. The following rates shall be used to apportion occupancy related costs to those grants and contracts awarded to Boston Medical Center but performed at Boston University. These rates, together with the Off-Campus rates, represent the full indirect costs applicable to Boston Medical Center effort at Boston University.

| TYPE  | FROM     | TO            | RATE  |
|-------|----------|---------------|-------|
| PRED. | 10/01/06 | 09/30/07      | 35.3% |
| PROV. | 10/01/07 | Until Amended | 35.3% |

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SECTION III: GENERAL

A. LIMITATIONS:

The rates in this Agreement are subject to any statutory or administrative limitations and apply to a given grant, contract or other agreement only to the extent that funds are available. Acceptance of the rates is subject to the following conditions: (1) Only costs incurred by the organization were included in its indirect cost pool as finally accepted; such costs are legal obligations of the organization and are allowable under the governing cost principles; (2) The same costs that have been treated as indirect costs are not claimed as direct costs; (3) Similar types of costs have been accorded consistent accounting treatment; and (4) The information provided by the organization which was used to establish the rates is not later found to be materially incomplete or inaccurate by the Federal Government. In such situations the rate(s) would be subject to renegotiation at the discretion of the Federal Government.

B. ACCOUNTING CHANGES:

This Agreement is based on the accounting system purported by the organization to be in effect during the Agreement period. Changes to the method of accounting for costs which affect the amount of reimbursement resulting from the use of this Agreement require prior approval of the authorized representative of the cognizant agency. Such changes include, but are not limited to, changes in the charging of a particular type of cost from indirect to direct. Failure to obtain approval may result in cost disallowances.

C. FIXED RATES:

If a fixed rate is in this Agreement, it is based on an estimate of the costs for the period covered by the rate. When the actual costs for this period are determined, an adjustment will be made to a rate of a future year(s) to compensate for the difference between the costs used to establish the fixed rate and actual costs.

D. USE BY OTHER FEDERAL AGENCIES:

The rates in this Agreement were approved in accordance with the cost principles promulgated by the Department of Health and Human Services, and should be applied to the grants, contracts and other agreements covered by these regulations subject to any limitations in A above. The hospital may provide copies of the Agreement to other Federal Agencies to give them early notification of the Agreement.

E. OTHER:

If any Federal contract, grant or other agreement is reimbursing indirect costs by a means other than the approved rate(s) in this Agreement, the organization should (1) credit such costs to the affected programs, and (2) apply the approved rate(s) to the appropriate base to identify the proper amount of indirect costs allocable to these programs.

BY THE HOSPITAL:

Boston Medical Center  
(formerly Boston Univ. Medical Center Hospital)  
(HOSPITAL)

(SIGNATURE)

RONALD E. BARTLETT

(NAME)

V.P. Finance and CFO

(TITLE)

12/12/06

(DATE)

ON BEHALF OF THE FEDERAL GOVERNMENT:

DEPARTMENT OF HEALTH AND HUMAN SERVICES  
(AGENCY)

(SIGNATURE)

Robert I. Aaronson

(NAME)

DIRECTOR, DIVISION OF COST ALLOCATION  
(TITLE)

December 11, 2006

(DATE) 0930

HHS REPRESENTATIVE: Joseph Guarnieri  
Telephone: (212) 264-2069