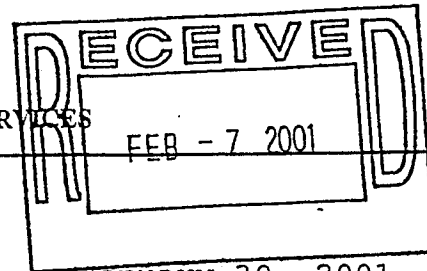




DEPARTMENT OF HEALTH & HUMAN SERVICES



Program Support (C)
Financial Management S
Division of Cost Alloc

26 Federal Plaza-Room 4
New York, New York 1
PHONE: (212)-264-
FAX: (212)-264-

Mr. Ronald E. Bartlett
Chief Financial Officer
Boston Medical Center
(formerly Boston Univ.
Medical Center Hospital)
One Boston Medical Center Place
Boston, MA 02118-2393

Dear Mr. Bartlett:

The original and one copy of a negotiation agreement are enclosed. 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 original must be signed by a duly authorized representative of your institution and returned to me; retain the copy for your file. 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, 2000 is due in our office by March 31, 2001.
2. The Boston Medical Center began occupying a new building in the fiscal year beginning October 1, 1999. The institution upon 30 days notification before scheduled submission of the indirect cost proposal, can opt to submit an indirect cost proposal for fiscal year ending September 30, 2001.
3. The following conditions were agreed to regarding the change in the Boston Medical Center equipment capitalization policy:
 - a. We have approved a change to the University Area equipment capitalization policy from \$500 to \$5,000 starting October 1, 2000.

- b. Equipment and supplies cost must be claimed in accordance with the capitalization threshold and useful life assumptions reflected in the organization's financial statement.
- c. Expenditures for equipment exceeding \$5,000 must be claimed by use allowance or depreciation procedures, unless that equipment is specifically approved by a Federal awarding agency as a direct cost.
- d. Grant proposal and contract budget submissions must be consistent with equipment capitalization threshold stipulated on the Rate Agreement.
- e. Unamortized amounts will be written-off over three years October 1, 2000 to September 30, 2003. No further use allowance or depreciation may be claimed on existing equipment valued between \$500 and \$4,999 on any future indirect cost proposal. The effect of unamortized amounts related to the above assets has already been reflected in the Rate Agreement dated January 30, 2001.
- f. Raising equipment threshold does not alter accountability responsibilities (including acquisition and safeguarding of supplies)

- Must follow property management standards for equipment covered by new capitalization policy

- Department will exercise its disposition rights for equipment with a fair market value of \$5,000 or more (45 CFR 74.34(g) and 92.32(c)).

A proposal encompassing all activities of your institution together with the required supporting information must be submitted to my office at the address shown on page 3 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, 2002 will be due in my office not later than March 31, 2003. 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, 2003, 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.

Mr. Ronald E. Bartlett

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January 30, 2001

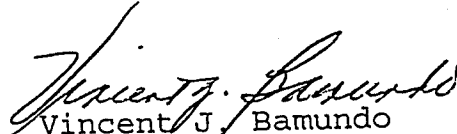
If you are unable to submit your proposal by the prescribed date, you may request an extension. This request must be submitted prior to the due date of the proposal and must contain a justification for the extension and the date the proposal will be submitted.

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 return it to me together with the original of the enclosed negotiation agreement to the above address.

Sincerely,


Vincent J. Bamundo
Director, Division of
Cost Allocation

Enclosures

Concurrence:

Name

Title

Date

ORIGINAL

HOSPITAL RATE AGREEMENT

EIN #: 1043314093A1

DATE: January 30, 2001

HOSPITAL:
Boston Medical Center
(formerly Boston Univ. Medical Center Hospital)
One Boston Medical Center Place
Boston MA 02118-2393

FILING REF.: The preceding Agreement was dated February 26, 1999

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			
FINAL	10/01/98	09/30/01	57.5	On-Site	Research
FINAL	10/01/98	09/30/01	27.6	Off-Site	Research
FINAL	10/01/98	09/30/01	19.6	On-Site	Other Sponsored Act
FINAL	10/01/98	09/30/01	17.8	Off-Site	Other Sponsored Act
PRED.	10/01/01	09/30/03	61.0	On-Site	Research
PRED.	10/01/01	09/30/03	18.5	Off-Site	Research
PRED.	10/01/01	09/30/03	22.0	All	Other Sponsored Act
PROV.	10/01/03	UNTIL AMENDED	Use same rates and conditions as those cited for fiscal year ending September 30, 2003.		

*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
 (formerly Boston Univ. Medical Center Hospital)

AGREEMENT DATE: January 30, 2001

SECTION I: FRINGE BENEFITS RATES**

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

TYPE	EFFECTIVE PERIOD		RATE (%)	LOCATIONS	APPLICABLE TO
	FROM	TO			
FINAL	10/01/98	09/30/99	26.0	All	All Employees
FINAL	10/01/99	09/30/00	26.0	All	All Employees
FIXED	10/01/00	09/30/01	26.9	All	All Employees
PROV.	10/01/03	UNTIL AMENDED	Use same rates and conditions as those cited for fiscal year ending September 30, 2001		

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

HOSPITAL:

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

AGREEMENT DATE: January 30, 2001

SECTION II: SPECIAL REMARKS

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 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 \$500 or more per unit.

3. Effective 10/01/00 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.

4. 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.

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

AGREEMENT DATE: January 30, 2001

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 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; (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. Any change to the method of accounting for costs which affect the amount of reimbursement resulting from the use of this Agreement requires prior approval of the authorized representative of the cognizant agency. Such changes include, but are not limited to, changing the charging of a particular type of cost from indirect to direct. Failure to obtain approval may result in cost disallowance.

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)

Vice President and CFO

(TITLE)

2/13/2001

(DATE)

BY THE COGNIZANT AGENCY

ON BEHALF OF THE FEDERAL GOVERNMENT:

DEPARTMENT OF HEALTH AND HUMAN SERVICES
(AGENCY)

(SIGNATURE)

Vincent J. Bamundo

(NAME)

DIRECTOR, DIVISION OF COST ALLOCATION

(TITLE)

January 30, 2001

(DATE) 0930

HHS REPRESENTATIVE: Joseph Guarnier

Telephone: (212) 264-2069