

**Frequently Asked Questions about
New Hospital and Professional Fee Discounts for Clinical Research
University of Michigan Health System
December 17, 2009**

1. What are the new professional and hospital fee discounts for clinical research?

Professional Fee Discount

Effective with the Date of Service (DOS) of January 1, 2010, all charges will be discounted to the level of the Medicare fee schedule which is currently an overall average of a 71% discount rate.

Facility (Hospital/Technical) Fee Discount

Beginning with charges posted* to the billing system on or after January 1, 2010, all charges will be discounted by 80% except as noted below (projects/grants will be responsible for 20% of the HHC charge). The exceptions are:

- Inpatient room rates (routine, specialty beds and ICU) = 50% discount
- Lab reference tests (tests not performed by UM labs, send-outs to reference laboratories) = No discount
- Organ acquisition fees = No discount

* Posting date is not the same as service date. There will be services provided in December 2009 that will not post to the billing system until January 2010, and these services will have the new discounts applied.

2. Where can I find the new rates?

Pricing can be obtained through the unit providing service or the clinical research pricing tool available at <https://www.umms.med.umich.edu/crprices/>. If you are unable to open the clinical research pricing tool, please contact your Medical School department, division, or center administrator for access. You may also contact clinical-research-pricing-admins@umich.edu for access to the tool, or if you need a Level 2 login, please send your request to msishelp@umich.edu.)

3. Do these new discounts apply to professional and facility services provided at all U-M Health System locations?

Yes, they apply to all UMHS-owned and operated sites.

4. Do these new discounts apply to both federal and non-federal awards?

Yes.

5. What does “facility” mean?

In this context, “facility” refers to all hospital, technical, or other facility charges.

6. How are these fees different from before?

The previous hospital fee discount structure was more complex with discount rates that varied based on the department providing the service and whether the study was federally funded or not. On average, the hospital fee discounts were about 60% across all clinical research, while the professional fee discounts were about 40%. The new discounts of 80%

for hospital services and 71% for professional services (see #1 above) reflect significant reductions and a commitment by the Health System to support clinical research.

7. Why is this change being made?

Feedback from investigators, study coordinators, and others made it clear that the previous discount structure was neither competitive nor easy to apply. These new, steeper discounts will improve investigators' ability to successfully compete for clinical trials funding by offering extremely competitive pricing. Too, the new discount structure is less complex than the previous approach and provides consistency across departments and units which will help investigators create more timely and more accurate study budgets.

8. What is the likely impact of this change?

These new discounts will result in significant reductions in the cost of using professional and facility services for clinical research. Most externally sponsored projects will see a cost savings immediately. For example, based on FY2009 data, on average, the cost for commonly used tests such as labs and imaging will be reduced by 43% and 50%, respectively.

9. What should I do as a principal investigator?

Investigators should evaluate their current budgets to determine if these discount changes will have any impact. If the new discount rates will produce unallocated funds for externally sponsored projects, you should review your award notice for any terms and conditions that directly apply prior to re-purposing funds.

For example, the following issues should be considered:

- **Expending Full Finances Before End of Project** – Some sponsors will not allow U-M to retain a surplus balance at the end of the project. If this is the case, it is recommended that you work with your local administrator to review other opportunities for spending those funds. If no immediate need is identified to relieve part of the project in shortfall, and the project has a less-than-federal indirect recovery for the activity, you may consider using part of the funds to offset some administrative costs (if allowed by the sponsor). Or, you may need to plan to enter into a no-cost time extension to continue doing the research plan over a longer period of time.
- **Prior Approval** – Moving the excess dollars from the patient care / procedure category to another use may require sponsor approval. In the case of fixed price contracts, this will not be an issue, however, with smaller sponsors, you may need prior approval.
- **Remaining Balances on Fixed Price Agreements** -- Remaining balances at the end of the project are not required to be returned to the sponsor. If the new discount structure allows funds to remain that do not need to be expended in other categories, the remaining balance at the end of project will follow U-M's policy of closing out projects with balances. If less than 20% of the award amount remains, the full amount will be put into a research discretionary account for the principal investigator. Projects with more than 20% remaining will be first divided into direct and indirect recovery (at the prevailing rate of the project), and then distributed with directs going into a research discretionary account for the principal investigator and the indirects flowing into the indirect cost recovery pool.

10. What other impact might these new discount rates have?

The Medical School is continuing its practice of rigorously scrutinizing non-standard waivers of indirect costs. The cost savings from the new discount structure should alleviate financial burden on many projects. Also, we will continue to extend a reduced indirect cost rate (25%) for for-profit sponsored, investigator-initiated clinical trials. However, other reductions of indirects likely will not be found compelling.

11. What other improvements are in the works for clinical researchers?

This new discount structure is just one of several improvements being made to our clinical research support services. The Office of Research has finalized an agreement with eThORITY, which will provide a robust clinical trials software application, including budgeting, billing calendar, and patient enrollment capabilities. We have also made significant improvements in Institutional Review Board (IRBMED) turnaround times and processes. We are currently reviewing all clinical research support services to identify additional gaps and improvement opportunities. More information will be shared when available.

12. Who should I contact for additional questions?

Please contact your department grants administrator with questions.

<http://med.umich.edu/medschool/grants/contacts.html>

In addition, questions may be directed to:

- Grant Review & Analysis Office: 763-4272 or msgrant@umich.edu
- Billing charges: Your department billing manager
- Clinical research support improvements: Teri Grieb, Ph.D., Director of Administration for Research at 615-1332 or tgrieb@umich.edu