



Guidance on Research Grant Overhead

Guidance: Voluntary health agencies should adhere to the following principles in negotiating facilities and administration (F&A) costs for research grants:

- F&A charges should be minimized to maximize the investment of donor dollars in research. A range of 0 percent to 10 percent is desirable.
- Each VHA should conduct a self-assessment to determine the appropriate percentage within the 0 to 10 percent range. The self-assessment should consider the size of the VHA, the type of research institution funded, the prevalence of the disease, and the overall size of the research enterprise devoted to that disease category.
- VHAs should maintain the flexibility to negotiate F&A costs that fall outside of the range as warranted by special circumstances.

Implementation: Each VHA should identify the minimum amount of F&A costs that can be negotiated without compromising the goals of its research program. For example, a small VHA (under \$10 million in annual revenues) representing a rare disorder will likely find grantees willing to accept no F&A costs. On the other hand, a large VHA (more than \$100 million in annual revenues) in a disease category where much research is being done may find that institutions will not accept grants with no overhead charges. Within the 0 to 10 percent range, the level of F&A costs will vary according to the circumstances of each individual VHA. (1)

Rationale: Voluntary health agencies have a duty as stewards of the public trust to ensure that contributions are used for purposes consistent with the donor's intent. While F&A costs are a legitimate part of the research enterprise, VHA donors have an expectation that their dollars will be applied directly to finding new treatments and cures for chronic diseases. From the patient's perspective, limiting the funding of indirect costs will free up additional research dollars. From an organizational perspective, VHAs endeavor to keep their own overhead costs low, so that the maximum amount of dollars raised is allocated to support the mission-driven activities of the organization. It is consistent with such practices for VHAs to pay similar amounts of indirect costs to institutions whose work they fund.

(1) In an April 2009 survey of NHC member VHAs, the vast majority of respondents reported paying between 0 and 10 percent F&A costs on research grants. Informal data shared by the Health Research Alliance in April 2009, with the permission of its member organizations, showed that half of those responding to a listserv inquiry in December 2008 have an indirect cost rate of 10 percent, with another four organizations paying no indirect costs. This guidance reflects the position of the NHC, but does not represent the position of the HRA and/or its member organizations.

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