DAR Rate Setting Principles, Policies and Practices

I. The DAR uses the “Cost Analysis and Rate Setting Manual for Animal Research Facilities (2000)” of the NIH as the basis of practice.

Executive Summary of NIH Principles as Practiced by DAR

1. Billing rates are based on costs.
2. The objective is to operate as closely as possible to a break-even basis.
3. Billing rates are established for all services that can be specifically identified to users and involve significant activities of the ARF.
4. All costs associated with providing an animal service are included in the total cost of each service.
5. Costs are treated consistently as either direct or support costs (see Definitions below).
6. The assignment of costs to cost centers and the allocation of support costs to direct cost centers is based on beneficial relationships.
7. Billing units logically represent the service provided.
8. All users are charged consistently at full rates.
9. Revenue and costs are compared at least annually to identify surpluses and deficits for each service.
10. Adjustments are made to compensate for surpluses or deficits (variances).

Definitions:

- **Direct costs** are defined as costs incurred for the husbandry of animals and for other services provided by the animal research facility (ARF) for the benefit of specific projects, for which billing rates are established. These typically are comprised of the sum of salaries, wages and consumable materials. Labor costs are distributed based upon time reporting of staff (one week per month year-round) and consumable materials are distributed by species (e.g. songbird feed to songbirds, dog anti-worming agents to dogs, fur mite treatments to mice, tuberculin to monkeys, etc.), where applicable, or generally, in the case of materials used or potentially used by myriad species, based upon the “extent” of the activity (see “Internal Support Costs” below).

- **Internal Support Costs** are those incurred by the ARF which support multiple cost centers, but are not specifically identifiable to any one direct cost center. ARF internal support costs include those such as internal ARF administration (“animal care and support F&A), animal health care, training, and cage washing. These costs must be allocated to the direct cost centers and included in the billing rates. They are typically distributed by a combination of census and relative quotient factor (RQF) in consideration of housing enclosure size, intensity of activity-related effort where clear, and wear-and-tear on facilities and equipment. This combination of census and RQF is what is termed in the “business” as “equivalent animal units” or “EAU”.
II. Sources of DAR Income and Attribution of Expenses

A. Income

1. *Per diem* and service charges
2. Medical school, College and School of Public Health support
   a. IACUC service, including compliance monitoring activities
   b. Research skills training
   c. Construction and renovation planning and project management
   d. Security
   e. Occupational health and safety program
   f. Pest control
   g. Utilities
   h. Other: senior level consultations, faculty recruiting support, disaster planning, some administrative costs.

3. Capital equipment infrastructure account
   a. Construction project costs
   b. Renovation and upgrade project costs
   c. Physical plant maintenance
   d. Some service contracts
   e. Equipment purchases

B. Distribution of expenses

1. Labor: via monthly cost accounting time card (sampling one week per month; 12 weeks per year)
2. Supplies and equipment: to specific species or services, where applicable, otherwise spread in an EAU ratio fashion.

III. Basic Methodology

A. All the internal costs of the ARF are listed (e.g., labor, supplies, service contracts, maintenance, etc.).

B. All active, direct cost centers of the ARF, such as daily care of a category of laboratory animals (e.g., dogs, rats, mouse quarantine, etc) or a service (e.g., surgery, radiology), and the internal support cost centers (i.e., those that benefit multiple cost centers), such as ARF administration (e.g., office supplies, general use supplies (e.g., PPE), fleet, general administration, custodial), laundry/uniforms, refuse disposal, cage washing, laboratory services, and animal health care are identified.

C. The internal ARF costs are assigned to the direct and support cost centers using reasonable and consistent methodology (for example, proportioning food and bedding to rats, mice, etc) and, in the case of DAR, using EAU as the basis.

D. Appropriate cost centers are allocated those institutional Facilities and Administrative (indirect) costs which are required by Federal policy to be
assigned to the ARF – this can be highly variable depending upon the institution and its agreements.

E. The costs of the internal support cost centers are allocated to the direct cost centers (e.g., allot the proportion of cage washing that is appropriate to mice, rats and other cost centers; the same for veterinary care, etc). This is accomplished by DAR using EAU proportioning.

F. The unit costs are calculated by dividing the total allocated costs of each direct cost center by the units of service provided (note: the unit of service provided is typically the “EAU” – equivalent animal unit).

IV. DAR Special Rate Setting Policies

A. Annual cost rate adjustments use the NIH Biomedical Research and Development Price Index (BRDPI) as first basis while taking into account specific factors where known to be divergent or to add volatility such as wage increases at Emory, fluctuations in the feed commodities market, fuel costs, biowaste disposal, and other variables.

B. Rate changes are capped maximally at 15% up or down each year except as noted.

C. Any newly-instituted *per diem* rate or service charge is subject to full cost recovery up or down, without the 15% cap protection, for the three fiscal years after first use of the estimated, inaugural rate (approved by the ARAC on August 19, 2013).

D. Any rate that is dormant for the cost accounting year (May 1 through April 30) will have its rate reset for the subsequent fiscal year (September 1 through August 31) to the real cost (i.e., no 15% cap on change) with BRDPI annual adjustments as appropriate (instituted by DAR effective September 1, 2013).

E. Veterinary care costs for avian species are charged direct rather than accounted using the NIH rate setting standards (approved by the ARAC on August 19, 2013).

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