

## DEPARTMENT OF HEALTH AND HUMAN SERVICES

### Health Resources and Services Administration

#### State Offices of Rural Health Grant Program

**AGENCY:** Health Resources and Services Administration, HHS.

**ACTION:** Notice; request for public comment.

**SUMMARY:** The Health Resources and Services Administration (HRSA) is seeking comments from the public on its plan to institute a permanent deviation from a policy in the Department of Health and Human Services (HHS), Grants Policy Directive (GPD) 3.01 governing indirect cost recovery for one of its grant programs. The GPD states "HHS considers activities conducted by grantees that result in indirect charges a necessary and appropriate part of HHS grants, and HHS awarding offices must reimburse their share of these costs." Although HRSA typically reimburses grantees for their full share of administrative overhead represented in approved indirect cost rates, the agency believes, in the case of its State Offices of Rural Health (SORH) Grant Program, that full recovery of overhead expenditures would be detrimental to the SORH grantees' ability to adequately conduct all the activities mandated in the authorizing legislation. Limiting indirect cost recovery is necessary because eleven of fifty SORH grantees are located in academic settings that have established indirect cost rates in the range of 30 to 50 percent or even higher. It is in the best interest of the program to limit the indirect cost recovery to not more than 15 percent of allowable total direct costs, thus leaving 85 percent of the grant funds to conduct the activities required by the grant program. This limitation would be applicable to all awardees of the State Offices of Rural Health Grant Program.

**DATES:** If you wish to comment on any portion of this notice, HRSA must receive comments by February 14, 2008.

**ADDRESSES:** You may submit comments by any of the following methods:

- *E-mail:* [kmidberry@hrsa.gov](mailto:kmidberry@hrsa.gov).

Include "State Offices of Rural Health Grant Program" in the subject line of the message.

- *Mail:* Keith Midberry, Office of Rural Health Policy, Health Resources and Services Administration (HRSA), 5600 Fishers Lane, Room 9A-42, Rockville, MD 20857.

- *Hand Delivery/Courier:* Keith Midberry, Office of Rural Health Policy,

Health Resources and Services Administration (HRSA), 5600 Fishers Lane, Room 9A-42, Rockville, MD 20857.

*Docket:* For access to the docket to read background documents or comments received, go to the Office of Rural Health Policy, Health Resources and Services Administration (HRSA), 5600 Fishers Lane, Room 9A-42, Rockville, Maryland, 20857, weekdays between the hours of 8:30 a.m. and 5 p.m. To schedule an appointment to view public comments, phone (301) 443-2669.

**FOR FURTHER INFORMATION CONTACT:** Keith Midberry, at the above address, telephone number 301-443-2669.

**SUPPLEMENTARY INFORMATION:** The HRSA State Offices of Rural Health (SORH) Grant Program is authorized by Section 338J of the Public Health Service Act (42 U.S.C. 254r). The purpose of the SORH grant program is to assist States in strengthening their rural health care delivery systems by helping to support a focal point for rural health within each State. The program provides funding for an institutional framework that links rural hospitals, providers and communities with State and Federal resources to help develop long term solutions to rural health problems. The law provides for a Federal-State partnership, requiring a State funding match of \$3 for each \$1 of Federal funding. Over the past 16 years, this program has leveraged in excess of \$175 million in State matching funds for rural health. The average annual award for each State is \$150,000.

The SORH program issues one award to a single grantee from each of the 50 States. The law requires that the governor designate the entity that will serve as the State's SORH. Currently, 37 of the Offices are located in State health departments, 10 in academic settings (9 universities and 1 junior college) and 3 are non-profit organizations. Grant funds enable each State grantee to conduct the following activities:

(1) Establish and maintain within the State a clearinghouse for collecting and disseminating information on—

(A) Rural health care issues;  
(B) Research findings relating to rural health care; and

(C) Innovative approaches to the delivery of health care in rural areas;  
(2) Coordinate the activities carried out in the State that relate to rural health care, including providing coordination for the purpose of avoiding duplication in such activities;

(3) Identify Federal, State, and nongovernmental programs regarding rural health, and provide technical

assistance to public and nonprofit private entities regarding participation in such programs;

(4) Encourage, but not directly fund, the recruitment and retention of health professionals in rural areas; and

(5) Assist in strengthening State, local and Federal partnerships in rural health.

Since 2001, SORH grant guidance has limited indirect cost recovery to not more than 15 percent of the Federal award regardless of whether the grantee has a higher negotiated rate agreement. The grant program initiated this limitation on the recoverable indirect costs because some grantees are located within universities that have established indirect cost rate agreements in the range of 30 to 50 percent. In adhering to the existing GPD policy, as much as 50 percent of grants funds could be consumed for administrative and other purposes by the host institution, which would significantly reduce the amount of funds available to carry out the objectives of the authorizing legislation and grant program. Maintaining an indirect cost limitation will enable awardees to continue to invest 85 percent (or more) of their grant funds for activities that help improve health care in rural communities. Not restricting indirect cost recovery would reduce the amount of funds available to improve rural health care and erode sixteen years of SORH success.

To maintain the limit on indirect costs in the 2008 grant funding opportunity guidance, a request to deviate from the Department of Health and Human Services (DHHS) Grants Policy Directive (GPD) 3.01, Indirect Costs and Other Cost Policies was required. Such a request was submitted and approved by the HHS, Office of Grants Policy, Oversight and Evaluation, Assistant Secretary for Resources and Technology in November, 2007.

#### Public Comment

HRSA invites public comment on its intent to indefinitely limit indirect cost recovery to not more than 15 percent of the total allowable direct costs for awardees of the State Offices of Rural Health Grant Program.

Dated: January 7, 2008.

**Elizabeth M. Duke,**  
*Administrator.*

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