

EDUCATIONAL COST CONTRACTS FOR HEALTH PROFESSIONS EDUCATION

1. SUMMARY OF MAJOR CHANGES: The Department of Veterans Affairs (VA) may reimburse academic affiliates for certain costs associated with the maintenance of health professions education (HPE) programs. This Veterans Health Administration (VHA) directive provides additional details on educational cost contracts (ECCs) and allowable costs. Major changes are as follows:

a. Expands the use of ECCs to any HPE program with a disbursement agreement, and not just physician and dental HPE programs.

b. Relocates the list of allowable and non-allowable expenses for HPE programs to Appendix A.

2. RELATED ISSUES: VA Directive 1663, Health Care Resources (HCR) Contracting - Buying, Title 38 U.S.C. 8153, dated May 10, 2018; VA Handbook 5007/41, Pay Administration, Part II, Appendix E, dated September 30, 2011; VHA Directive 1400.05, Disbursement Agreements for Health Professions Trainees Appointed Under 38 U.S.C. § 7406, dated June 2, 2021; VHA Directive 1660.03, Conflict of Interest for Sharing of Health Care Resources, dated September 13, 2021.

3. POLICY OWNER: The Office of Academic Affiliations (OAA) (14AA) and the VHA Procurement and Logistics Office, Medical Sharing/Affiliate National Program Office (MSO) (19PLO) are responsible for the content of this directive. Questions regarding applying for ECCs may be referred to the OAA Action Group at VHA14AAOAAAction@va.gov. Questions regarding contract approvals may be referred to MSO at VHACOMSOG@va.gov.

4. RECISSIONS: VHA Directive 1400.10, Health Care Resources Contracting: Educational Costs of Physician and Dentist Resident Training, dated May 20, 2020, is rescinded.

5. RECERTIFICATION: This VHA directive is scheduled for recertification on or before the last working day of September 2028. This VHA directive will continue to serve as a national VHA policy until it is recertified or rescinded.

6. IMPLEMENTATION SCHEDULE: This directive is effective 6 months after publication.

September 25, 2023

VHA DIRECTIVE 1400.10

**BY DIRECTION OF THE OFFICE OF THE
UNDER SECRETARY FOR HEALTH:**

/s/ Carolyn M. Clancy, MD
Assistant Under Secretary for Health
for Discovery, Education and Affiliate
Networks

NOTE: *All references herein to VA and VHA documents incorporate by reference subsequent VA and VHA documents on the same or similar subject matter.*

DISTRIBUTION: Emailed to the VHA Publications Distribution List on October 4, 2023.

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EDUCATIONAL COST CONTRACTS FOR HEALTH PROFESSIONS EDUCATION

1. POLICY

It is Veterans Health Administration (VHA) policy that Department of Veterans Affairs (VA) medical facilities are authorized to reimburse academic affiliates for the reasonable and proportional share of selected costs of operating health professions education (HPE) programs when certain criteria are met. These payments ensure the successful maintenance and accreditation of these HPE programs and, consequently, ensure the continuity of health care services to Veterans. **NOTE:** *Non-competitive educational cost contracts (ECCs) are sole-source contracts; they must be nationally approved to pay the academic affiliate for certain allowable operating expenses of HPE programs.*

AUTHORITY: 38 U.S.C. § 8153.

2. RESPONSIBILITIES

a. **Under Secretary for Health.** The Under Secretary for Health is responsible for ensuring overall VHA compliance with this directive.

b. **Assistant Under Secretary for Health for Discovery, Education, and Affiliate Networks.** The Assistant Under Secretary for Health for Discovery, Education, and Affiliate Networks is responsible for:

(1) Supporting the Office of Academic Affiliations (OAA) with implementation and oversight of this directive.

(2) Ensuring that OAA has sufficient resources to carry out the HPE mission and the responsibilities in this directive.

c. **Assistant Under Secretary for Health for Operations.** The Assistant Under Secretary for Health for Operations is responsible for:

(1) Communicating the contents of this directive to each of the Veterans Integrated Services Networks (VISNs).

(2) Assisting VISN Directors to resolve implementation and compliance challenges in all VA medical facilities within that VISN.

(3) Providing oversight of VISNs to ensure compliance with this directive and its effectiveness.

d. **VHA Chief Academic Affiliations Officer.** The VHA Chief Academic Affiliations Officer (CAAO) is responsible for:

(1) Providing oversight for VISN and VA medical facility compliance with this directive and ensuring corrective action is taken when non-compliance is identified.

(2) Participating in reviews of ECCs as requested by the Assistant Under Secretary

for Health for Operations and VHA Procurement and Logistics Office, Medical Sharing/Affiliate National Program Office (MSO). **NOTE:** *Because MSO is responsible for ensuring contract compliance, OAA serves only as a consultant to the review process and has neither ongoing oversight responsibility of this process nor a formal role in approving ECC requests.*

(3) Assisting MSO in conducting the annual Congressional report of sole-source contracts, to include ECCs.

(4) Serving in an advisory capacity to VA medical facilities that seek advice on the appropriateness of educational costs for inclusion in ECCs.

(5) On a case-by-case basis, for a particular ECC, approving cost categories for inclusion that are not listed in Appendix A of this directive as requested by VA medical facilities.

e. Director, VHA Procurement and Logistics Medical Sharing/Affiliate National Program Office. The MSO Director is responsible for:

(1) Processing, reviewing and approving all requests for ECCs and communicating the results to the appropriate Contracting Officer (CO) assigned to a Network Contracting Office (NCO).

(2) Coordinating reviews of ECC requests and ECC templates with the Office of General Counsel (OGC) and OAA as needed.

(3) Creating and maintaining template documents for ECCs to be utilized by VA medical facilities and NCOs, available on the MSO SharePoint site at: [https://dvagov.sharepoint.com/sites/VHAProcurement/PLOMSO\(OLD\)/CRC/HCR_ED_COSTS/Forms/AllItems.aspx](https://dvagov.sharepoint.com/sites/VHAProcurement/PLOMSO(OLD)/CRC/HCR_ED_COSTS/Forms/AllItems.aspx). **NOTE:** *This is an internal VA website that is not available to the public.*

(4) Preparing the annual Congressional report identifying sole-source contracts, to include ECCs.

(5) Ensuring contract compliance through ongoing oversight.

f. Veterans Integrated Service Network Directors. The VISN Director is responsible for:

(1) Ensuring that all VA medical facilities within the VISN comply with this directive and informing leadership when barriers to compliance are identified.

(2) Ensuring adequate staffing and resources are available for the HPE function at VA medical facilities within the VISN, including funds for payment of ECCs with academic affiliates.

g. Contracting Officer. The CO from each NCO is responsible for:

(1) Assisting the VA medical facility who requested the ECC in acquisition planning for the ECC.

(2) Reviewing the ECC supporting documents as required by VHA Procurement Manual (VHAPM) Part 873 in determining the price is fair and reasonable. For further information, see: https://dvagov.sharepoint.com/sites/VHAPProcurement/VHAPM/VHAPM_Part_873.aspx.
NOTE: This is an internal VA website that is not available to the public.

(3) Obtaining all required reviews of the ECC Requirements Package in accordance with VA Directive 1663, Health Care Resources (HCR) Contracting - Buying, Title 38 U.S.C. 8153, dated May 10, 2018, and incorporating all changes required by MSO, OAA and OGC.

(4) Finalizing the ECC and sending a copy of the executed document to the MSO Director for forwarding to OAA.

(5) Sending the executed ECC to the VA medical facility Contracting Officer Representative (COR).

h. **VA Medical Facility Director.** The VA medical facility Director is responsible for:

(1) Ensuring overall VA medical facility compliance with this directive and appropriate corrective action is taken if non-compliance is identified.

(2) Approving the request for an ECC.

(3) Ensuring funds are available for payment of ECCs with academic affiliates.

(4) Reassigning responsibilities related to ECC oversight if a conflict of interest (COI) is identified with the Chief of Staff or Designated Education Officer (DEO) responsibilities. **NOTE:** For more information on COI, see VA Acquisition Regulation (VAAR) 852.209-70 and VHA Directive 1660.03, Conflict of Interest for Sharing of Health Care Resources, dated September 13, 2021.

i. **VA Medical Facility Chief of Staff.** The VA medical facility Chief of Staff (CoS) is responsible for:

(1) Determining whether an ECC is appropriate and educational costs are reasonable based on the proportional share of operating costs.

(2) Making the recommendation to approve the ECC request to the VA medical facility Director.

(3) Collaborating with the VA medical facility Associate Director for Patient Care Services (ADPCS) on responsibilities in paragraph 2.i.(1)-(2) above for ECCs related to programs under the VA medical facility ADPCS responsibility.

j. **VA Medical Facility Designated Education Officer.** The VA medical facility DEO, also frequently known as the Associate Chief of Staff for Education, is responsible for:

(1) Submitting the request for an ECC to the VA medical facility CoS.

(2) Assisting the VA medical facility CoS in reviewing and validating the cost estimates in the ECC.

3. CRITERIA FOR ESTABLISHING EDUCATIONAL COST CONTRACTS

a. Prior to initiating an ECC, the VA medical facility must have signed affiliation and disbursement agreements (and signed Program Letters of Agreement, if applicable) in place using the processes described in VHA Directive 1400.03, Educational Relationships, dated February 23, 2022, and VHA Directive 1400.05, Disbursement Agreements for Health Professions Trainees Appointed Under 38 U.S.C. § 7406, dated June 2, 2021.

(1) An affiliation agreement is a document that enables an affiliation relationship with an educational institution or program for the purpose of HPE at a VA medical facility or before health professions trainees (HPTs) in VA-sponsored programs receive training at non-VA medical facilities. Affiliation agreements must be executed prior to certain sharing activities such as sole-source contracts (e.g., ECCs). For details regarding affiliation agreements, see VHA Directive 1400.03. Standard templates for affiliation agreements, approved by OGC, may be found at:

<https://dvagov.sharepoint.com/sites/vhaoaahub/SitePages/Affiliation-Agreements.aspx>.

NOTE: *This is an internal VA website that is not available to the public.*

(2) A disbursement agreement is an indirect payroll mechanism, and not a contract, through which VA allows a "disbursing agent" to administer salary and fringe benefit payments as an agent on behalf of VA. **NOTE:** *In most instances, the academic affiliate and the disbursing agent are the same entity.* Payments are for HPTs performing clinical and educational activities while assigned to a VA medical facility. The disbursement agreement mechanism allows VA to reimburse the HPT's employer for their incurred costs. HPTs are appointed as without compensation (WOC) during their VA rotations; VA reimburses the disbursing agent for the proportionate share of HPT salaries and benefits. For details, see VHA Directive 1400.05.

b. Only the affiliate or its disbursing agent may enter into an ECC with VA. The affiliate must be listed on the affiliation agreement. Program-by-program or clinical department-by-department contracts are not allowable under this contract mechanism.

c. VA medical facilities must use general purpose funds for payment of ECCs. OAA special purpose funds cannot be used to pay for ECCs.

d. All ECC expenses must support the operational costs of the HPE program or be required for accreditation. **NOTE:** *Types of allowable and non-allowable expenses are outlined in Appendix A. Appendix B delineates several approaches to calculating the proportionate share of expenses.*

4. TRAINING

a. The following training is **recommended** for COs and VA medical facility staff involved in the contracting process for ECCs: MSO HCR Educational Cost Contracts (Talent Management System # 4559375).

b. MSO has a Health Care Resource (HCR) Training Center where scheduled formal training is located, including specialized training for ECCs. This recommended training can be delivered in-person or online to stakeholders including COs, CORs and VISN and VA medical facility leadership. **NOTE:** *The HCR Training Center can be accessed at:*

[https://dvagov.sharepoint.com/sites/VHAProcurement/PLOMSO\(OLD\)/train/default.aspx](https://dvagov.sharepoint.com/sites/VHAProcurement/PLOMSO(OLD)/train/default.aspx)
This is an internal VA website that is not available to the public. If there is difficulty in accessing this site, please contact VHACOMSOG@va.gov for assistance.

5. RECORDS MANAGEMENT

All records regardless of format (e.g., paper, electronic, electronic systems) created by this directive must be managed as required by the National Archives and Records Administration (NARA) approved records schedules found in VHA Records Control Schedule 10-1. Questions regarding any aspect of records management should be addressed to the appropriate Records Officer.

6. BACKGROUND

a. Infrastructure costs for operating HPE programs are significant. There are many types of fixed operating costs such as faculty preceptors, program directors, program coordinators, space, utilities and information technology. There are also specific costs to maintaining accreditation such as accrediting fees, program management software and examination fees. In VHA, for VA-sponsored programs, the Veterans Equitable Resource Allocation (VERA) education support component provides infrastructure funding.

b. Affiliate-sponsored programs send HPTs to VA for certain types of educational and clinical experiences. These affiliate-sponsored HPTs are often unpaid by VA (directly or indirectly) and appointed as WOC. VA must not support the infrastructure requirements of affiliate-sponsored programs through ECCs if the HPTs are not paid via either direct salary support or disbursement agreements.

c. However, affiliate-sponsored HPTs may be indirectly paid through a disbursement agreement mechanism (see VHA Directive 1400.05). Disbursement agreements are only available for HPTs in residency programs and certain internships (see Appendix A). VA supports the infrastructure requirements of these affiliate-sponsored programs through ECCs. Because disbursement agreements cover only stipends and benefits provided to HPTs, they do not include the costs of operating HPE programs or acquiring or maintaining accreditation. ECCs are the only available mechanism by which VA may reimburse academic affiliates for selected pro-rated costs for their HPE programs.

d. An HPT is an individual appointed under 38 U.S.C. §§ 7405 or 7406 who is participating in clinical or research training under supervision to satisfy program or degree requirements. HPT is a general term to describe undergraduate, graduate and post-graduate students, interns, residents, chief residents, fellows, VA advanced fellows and pre- and post-doctoral fellows who spend all or part of their training experiences at VA medical facilities. Some HPTs may be in non-clinical training fields but train in patient areas or use VA patient records or data in their training.

7. DEFINITIONS

a. **Accreditation.** Accreditation is a status of public recognition that an accrediting agency grants to an academic institution or program that meets the agency's established standards and requirements. An accrediting agency is an external educational association of regional or national scope that assesses educational programs according to the accrediting agency's specific standards and criteria. **NOTE:** *Each HPE program must be accredited by an OAA-approved accrediting agency unless the requirement is waived by the CAAO.*

b. **Academic Affiliate.** An academic affiliate is an educational institution that has a relationship with a VA medical facility for the purpose of HPE. This relationship is documented by a formal VA affiliation agreement. An affiliate can receive VA HPTs from VA-sponsored programs or can send HPTs to VA for affiliate-sponsored programs.

c. **Educational Cost Contracts.** ECCs are the mechanism by which VA medical facilities reimburse academic affiliates for the reasonable and proportional share of selected pro-rated costs of operating HPE programs. ECCs are only used for disbursement HPE programs that send HPTs to VA (affiliate-sponsored programs). ECCs reimburse selected administrative and educational costs only (as described in Appendix A) and do not include the salary and benefits of HPTs. ECCs are non-competitive HCR contracts (sole-source awards) with affiliates.

d. **Health Care Resources.** The term "health care resources" (HCR) involves the provision of a broad range of HCRs, including any and all medical specialties (e.g., radiology, cardiovascular surgery). HCRs also refer to health care support and administrative resources, the use of medical equipment, space and home oxygen. Health care support and administrative resources include those services, apart from direct patient care, determined necessary for the operation of VA medical facilities. Health care support resources serve medically related purposes (e.g., biomedical equipment repair, patient transport). Administrative resources include services not unique to the provision of medical care but deemed necessary to support the specific HCR procurement action (e.g., transcription services, grounds maintenance, laundry). **NOTE:** *Non-competitive HCR contracts acquire commercial services from academic affiliates or related entities (e.g., teaching hospital, faculty practice group or individual physicians) without regard to competitive procedures.*

8. REFERENCES

- a. 28 U.S.C. § 1346(b).
- b. 38 U.S.C. § 8153.
- c. 38 U.S.C. §§ 7405, 7406.
- d. VAAR 852.209-70.
- e. VA Directive 1663, Health Care Resources Contracting - Buying, Title 38 U.S.C. 8153, dated May 10, 2018.
- f. VHA Directive 1177, Cardiopulmonary Resuscitation, dated January 4, 2021.
- g. VHA Directive 1400.03, Educational Relationships, dated February 23, 2022.
- h. VHA Directive 1400.05, Disbursement Agreements for Health Professions Trainees Appointed Under 38 U.S.C. § 7406, dated June 2, 2021.
- i. VHA Directive 1660.03, Conflict of Interest for Sharing of Health Care Resources, dated September 13, 2021.
- j. VHAPM Part 873 Health-Care Resource Specialized Procurements and Sharing Agreements under Title 38 U.S.C. 8153 SOP.
https://dvagov.sharepoint.com/sites/VHAPProcurement/VHAPM/VHAPM_Part_873.aspx.
NOTE: *This is an internal VA website that is not available to the public.*
- k. MSO SharePoint site. HCR Training Center.
[https://dvagov.sharepoint.com/sites/VHAPProcurement/PLOMSO\(OLD\)/CRC/HCR_ED_COSTS/Forms/AllItems.aspx](https://dvagov.sharepoint.com/sites/VHAPProcurement/PLOMSO(OLD)/CRC/HCR_ED_COSTS/Forms/AllItems.aspx). **NOTE:** *This is an internal VA website that is not available to the public.*
- l. OAA Affiliation Agreements.
<https://dvagov.sharepoint.com/sites/vhaoahub/SitePages/Affiliation-Agreements.aspx>.
NOTE: *This is an internal VA website that is not available to the public.*

ALLOWABLE AND NON-ALLOWABLE EXPENSES**1. ALLOWABLE EXPENSES**

The following categories of educational costs may be included in contracts with academic affiliates. All expenses must support the operational costs of the health professions education (HPE) program or be required for accreditation. Expenses will only be reimbursed based on a proportionate share calculation (see Appendix B).

NOTE: *These examples are provided for guidance only; each Department of Veterans Affairs (VA) medical facility must decide which cost categories to include on a case-by-case basis. Allowable expenses include:*

- a. Accreditation fees, including per-program annual assessments and per health professions trainees (HPT) fees for use of online procedure logs.
- b. Costs for HPT parking if a VA medical facility does not have adequate spaces.
- c. Fatigue mitigation accreditation requirements for HPTs on call on VA rotations.
- d. HPE program management software fees (e.g., “New Innovations,” “Medhub”, “E*Value™”) only if Veterans Health Administration (VHA)-based professional staff have access to the HPT and program-specific data in these applications.
- e. In-service examination fees.
- f. Lab coats (if required, not provided by VA, and remain the property of the HPE program and not individual HPT upon completion of training).
- g. Cell phones or pagers (only if not provided by the VA medical facility); devices must be functional on the VA medical facility campus and must not become the property of the HPT at the conclusion of training.
- h. National intern or resident program fees (e.g., National Resident Match Program for Graduate Medical Education), excluding individual HPT match fees.
- i. Recruitment/orientation expenses. Recruitment expenses must include only the following: electronic sites (e.g., FRIEDA™), printing brochures, mailing costs, reproduction costs and advertisement expenses. **NOTE:** *Orientation expenses such as food, refreshments and meals must not be reimbursed.*
- j. Required training (e.g., Advanced Cardiac Life Support) per accreditation standards (if not provided by VA medical facility). **NOTE:** *Per VHA Directive 1177, Cardiopulmonary Resuscitation, dated January 4, 2021, only VA-sponsored HPTs are eligible to receive VA-sponsored resuscitation training. Please refer to VHA Directive 1177 for information on reimbursement for other types of HPTs not covered under a disbursement agreement.*

- k. Simulation user fees (if experience not available at VA medical facility).
- l. Other expenses (Chief of Academic Affiliations Officer pre-approval required).

2. NON-ALLOWABLE EXPENSES

Non-allowable expenses include:

- a. Administrative program expenses at the affiliate site (e.g., for the salary of program directors, faculty, program coordinators, HPE office staff and office supplies).
- b. Board certification examination fees for individual HPTs.
- c. Book or travel funds for individual HPTs.
- d. Malpractice insurance coverage at the affiliate site (VA is self-insured against claims brought under the Federal Tort Claims Act, 28 U.S.C. § 1346(b)).
- e. National licensing examination fees or registration for individual HPTs (e.g., United States Medical Licensing Exam).
- f. Personal property (e.g., books, journals, subscriptions, devices, lab coats).
- g. Recruitment or orientation expenses that involve meals, travel or entertainment.
- h. Salary or benefits of affiliate-based faculty.
- i. State licensing fees or federal DEA fees for individual HPTs.

SAMPLE CALCULATION OF PRO-RATED REIMBURSEMENT**1. RATE OF REIMBURSEMENT**

The rate of reimbursement for the educational costs must be pro-rated based upon the total number of Department of Veterans Affairs (VA) health professions trainee (HPT) positions. For each approved cost category, the total educational cost is multiplied by the total number of VA positions and divided by the total number of HPT positions in the health profession education (HPE) program(s) at the affiliate site.

NOTE: *Positions in HPE programs which do not rotate HPTs to the Veterans Health Administration (e.g., pediatrics) must not be included in the denominator.*

2. BASELINE INFORMATION

a. **Example.** VA pays for 25 Full Time Equivalent Employee (FTEE) positions (see numerator in Solution A).

b. The affiliate has 120 FTEE total positions; 20 FTEE (pediatrics) do not rotate at VA.

c. The invoice from the affiliate is for \$30,000 for all FTEE (120).

d. VA owes only a percentage of the \$30,000 (25/120).

e. The VA medical facility can either use the larger denominator and pay a smaller percentage (Solution A) or recalculate the invoice to exclude pediatrics (Solution B):

(1) **Solution A.** $25 \text{ FTEE} / 120 \text{ FTEE} \times \$30,000 = \$6,250.$

(2) **Solution B.**

(a) $\$30,000 \times 100 / 120 = \$25,000.$

(b) $25 \text{ FTEE (VA Share)} / 100 \text{ FTEE (total rotating to VA)} \times \$25,000 = \$6,250.$