

No. NMC/US(NMC)/Fee-Regulating-Committee/2021-02
National Medical Commission

Pocket 14, Phase I, Dwarka, Sector 8
New Delhi 11077
Dated the 3rd February, 2022

OFFICE MEMORANDUM

Sub:- Guidelines for determination of fees and all other charges in respect of 50% of the seats in private medical institutions and deemed to be universities, governed under the NMC Act, 2019

As per Section 10(1)(i) of the National Medical Commission (NMC) Act, 2019, the Commission shall frame guidelines for determination of fees and all other charges in respect of fifty per cent. Of seats in private medical institutions and deemed to be universities which are governed under the provisions of this Act.

The Central Government had requested the erstwhile Board of Governors in supersession of erstwhile MCI to prepare the draft fee fixation guidelines for consideration of the NMC as and when constituted.

An Expert Committee was constituted by the BoG-MCI on 23rd Nov, 2019 and later, by NMC in this regard. The Expert Committee recommended a total of 26 broad draft guidelines for the determination of fees for MBBS and Post Graduate (PG) Courses and other charges in respect of private medical colleges and deemed to be Universities, which were uploaded in the NMC Website on 25.05.2021 for inviting public comments. The Commission received approximately 1800 responses from General Public/Medical Institutions/ Association.

A re-constituted Expert Committee, constituted on 21.10.2021 by NMC, examined the 1800 responses and submitted the revised draft guidelines. The recommendations of this Expert Committee were accepted by the NMC in its meeting on 29th December, 2021.

After extensive consultations, it has been decided that the Fee of the 50% seats in the Private Medical College & Deemed Universities should be at par with the Fee in the Government Medical Colleges of that particular State & UT. The benefit of this fee structure would be first made available to those candidates who have availed Government quota seats, but limited to the extent of 50% of total sanctioned strength of the respective medical college/deemed university. However, if the government quota seats are less than 50% of total sanctioned seats, the remaining candidates would avail benefit of fee equivalent to the government medical college fees, based purely on the merit.

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The following principles should be followed in fee and other charges fixation of Private Medical College/Deemed Universities:

1. No institution should charge capitation fee in any form or manner.
2. For the determination of fees for MBBS/PG courses, it needs to be ensured that the principle of education being "not-for-profit", is strictly adhered to. Therefore, it is necessary that whereas all the operating costs and other expenses for running and maintenance of the institution for imparting medical education on a sustainable basis are covered in the fees, no excessive expense and exorbitant profit component should be allowed to be added to the fees.
3. The operating cost should primarily form the basis for the determination of fees for medical education. The operating cost should be arrived at on the basis of the last annual audited accounts of the institution. Operating Cost for example includes, but is not limited to, the following:-
 - a. Salary and allowances including bonus, if admissible, payable to the teaching and non-teaching staff;
 - b. Expenditure on administrative services;
 - c. Cost of maintenance of laboratories, including consumables;
 - d. Contingency expenditure including statutory requirements such as audit fee and the like;
 - e. Cost of acquisition of books and journals for libraries;
 - f. Maintenance of building(s) and other infrastructure facilities, including rents and tariffs;
 - g. Amortization of capital expenditure invested on the infrastructure facilities;
 - h. Any other recurring expenditure to be determined by the FRC;
4. It is also anticipated that in newly established medical colleges the overheads like interest, depreciation and salary would be very high in comparison to old established medical colleges. There may be a case where no audited balance sheet would be available with the college (being its first year). In such a case, the determination of fee for a newly established college should be made on an ad-hoc basis, based on the fee structure of the most recently established medical colleges in the State, whose audited balance sheets were available. Also, due to the Covid19 pandemic in the last financial year i.e. 2020-21, most colleges had to suspend physical classes for some time and due to the same, while some expenses such as hostel maintenance, mess expenses and other expenses directly related to students had decreased; some other expenses such as hospital running expenditure, salaries and overtime allowances of medical staff and doctors, medical facilities expenses and other related administrative expenses had increased. Therefore, the expenses of 2020-21 will not accurately depict the actual expenditure which a medical college has to bear in a normal year. So the audited financial figures for 2020-21 may not provide a true picture of the accounts. In such cases, the State Fee Regulatory Authority may consider the average audited financial result of the previous three years, with appropriate inflation adjustment.
5. The sanctioned number of seats/of students is to be taken into account for the purpose of determination of cost per student, separately for MBBS and PG courses.

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6. The fees can be fixed for a block of three years or on a year-to-year basis. The fee fixed for a student joining a college in a particular year should remain the same for the entire duration of his study in the college, subject to inflation adjustment, as considered appropriate by the State Fee Regulatory Authority, which could for example be at the rate of 5% or on the basis of Consumer Price Index (CPI), on a whichever is higher basis.

7. All private teaching institutions should be advised to adopt operation segment reporting in accordance with the Ministry of Corporate Affairs, Government of India notified Indian Accounting Standard (Ind AS) 108 in respect of expenses pertaining to the medical college and different PG medical courses, hospital, hostel, mess, transport, laboratory and diagnostic facilities, pharmacy, library, etc. The common expenses which are not exclusively identifiable with any of the cost centre/ activity or the course should be apportioned on an equitable and appropriate basis for arriving at the cost in respect of running the medical college and other activities.

8. All hospital expenses are not to be included in computing the cost for providing medical education. A portion of hospital expenses arrived at on the basis of usage of hospital facilities and equipment for imparting the medical education for MBBS and PG courses may be added for arriving at the fees. However, if a hospital is running at a loss in the initial days of a newly established college, it may need to be supported for a few years so that it can turn the corner. If the hospital shuts down suddenly for lack of funds, the future of the already enrolled students may be jeopardised. This cannot, however, be a blank cheque to burden the students of a college indefinitely. Thus, a time limit of say 5-7 years could be put for absorbing the losses of a hospital by the students by way of increased fees. In the alternative, if the State Fee Regulatory Authority judges that a hospital cannot be run on a self-sustaining basis for a much longer term, especially if it is located in a poor and backward part of the State, up to 20% of the costs of the hospital could be added to the operating costs of the medical college for a limited number of years. In either case, the State Regulatory Authorities would need to satisfy themselves fully from the segmented accounts submitted by an institution and the final decision should be left to them.

9. Salaries of the teaching staff and other non-teaching staff should be taken into account for the purpose of determination of fees for medical education. For this purpose, the salaries of teachers in clinical subjects, who also devote part of their time in the hospital, should be taken in full (100%) as an expenditure of the college. The stipend paid for undergoing compulsory rotating medical internship by MBBS and PG students, should be added to the operating cost of the hospital as interns also contribute as working hands to the hospital. For calculating the salary expenditure relating to the teaching & non-teaching staff, the State Fee Regulatory Authority may fix a ceiling as per the NMC approved guidelines for the minimum sanctioned numbers of teaching and non-teaching staff based on the approved student strength. However, the State Fee Regulatory Authority could relax this salary ceiling, if the institution exhibited a clear commitment to improve the teacher student ratio and appointed a larger number of teachers than the minimum prescribed NMC norms. The State Fee Regulatory Authority may also ask for additional evidence to justify the engagement of part time teachers at exorbitant salaries. The State Fee Regulatory Authority could also, at its discretion, ask for the salaries of all teaching and non-teaching staff to be

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cross-checked against the "TRACE" report of the college, generated by the Income Tax authorities.

10. Depreciation can be recognised, based on either the straight-line method or the written down value method as per the accounting practice followed by the medical college. However, the basis adopted for calculation of depreciation should be consistent on a year to year basis.

11. Depreciation is to be taken only on those fixed assets which had been used during the related year. If a fixed asset had been purchased or constructed in a financial year but due to some reasons the same was not put to use during the year, the depreciation on that particular fixed asset should not be taken into account for determining the fees for students in that particular year.

12. Interest cost on the loan(s) taken for meeting the capital expenditure in respect of a medical college could be taken into account only if the loans are taken from scheduled commercial banks and not from the promoters or private parties. Similarly, interest costs of a loan taken from a scheduled bank for meeting the working capital requirements may also be taken into account for the purpose of computation of fees.

13. In order to consider interest cost for fee fixation, only a loan which is directly attributable to a medical college and/ or the hospital, should be taken into consideration while calculating fees. If a loan is taken from a scheduled bank for the purpose of a medical college and/or hospital but such a loan or part of such a loan has been diverted/ utilized for other purposes such as a loan or advance to a Director/trustee/other body corporate/other trust having the same object etc., the interest cost on such part of the loan which is not used for the purpose of the medical college and/ or hospital, should not be considered while calculating the student fees. The loan must be apportioned on a rational and legally tenable basis and the interest cost pertaining to only the medical college and hospital should be considered for fee calculation purposes.

14. Further, the interest cost (which has been capitalized) should also not be considered while determining the student fees, because the capitalized portion of the interest will form a part of fixed assets and depreciation will be allowed on that. If the same portion of interest is considered, it will tantamount to consideration twice because at one place it occurs as the interest cost while at another place it occurs as the depreciation cost.

15. Interest cost on such funds, which have been given as advances for any cause of the medical college, have to be ignored for fee calculation purposes if the same are not materialized during the year itself.

16. Any grant, aid, and/or concessions received by a private medical institution and deemed to be University should be accounted for while determining the fees and other charges which are spent for revenue expenditure.

17. Assets created or purchased from any grant, aid, donation and/or concession received by any private medical institution, should not be accounted for while determining the fees and other charges, if such grant, aid and/or concession or donation received, are in the nature of a corpus because it can be used only for specific purposes. These are not part of the income and expenditure and on such assets, depreciation would already have been taken into account for determination of fee, therefore, corpus receipts are not to be taken separately.

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18. Most of the private medical colleges take a security deposit/ caution money deposit from the students for meeting any loss caused by them to the college property or equipment. Such deposits are normally refundable and are invested in fixed deposits on which interest is earned. The amount of deposits should not be taken into account for calculating the fee. The amount of such deposits should not be exorbitant. Also, the income earned from the deposits by way of interest may be deducted from the operating costs for arriving at the fee for medical courses. In order to prevent excessive charging, the Fee Regulatory Authority could, at its discretion, ask for information on this subject from a college at the time of determination of its fee structure. The State Fee Regulatory Authority could also fix ceiling rates for all such deposits by a college and require a college to post a detailed break-up of such deposits on its website.

19. Fees in respect of PG courses could be determined on the basis of direct expenses in respect of salaries of teaching faculty and other directly identifiable expenses in respect of particular PG courses. Other common expenses in respect of teaching staff, non-teaching staff and other expenses which are common for both MBBS and PG courses should be arrived at by dividing the total common expenses by the number of students. A portion of hospital expenses in respect of facilities used for running PG courses in clinical subjects, arrived at on an objective basis, can also be added in arriving at the fees for PG medical courses especially in clinical subjects. The determination of fees for individual PG courses could be left to the college, subject to the proviso that the total operating costs for running all postgraduate courses should not exceed the total fees collected in any particular year. Also, stipend paid to the PG students should be a part of the hospital expenses and should not be taken as a cost of the medical college or added to the fees of a PG student.

20. Development fee at the rate of 6% to 15% of the operating cost can be added for meeting the development expenditure for growth and expansion of the medical college. Such surplus should not be allowed to be used for any other purpose and a separate account for the purpose may be maintained. Introduction of a rating system of colleges based on multiple parameters is under consideration and in case such a scheme comes through, the specific percentage of the Development Fee for a college may be linked to the rating awarded to a college so that there is an incentive for colleges to improve their performance and generate larger amounts for the development of the institution. Till such time the rating system is unavailable, the State fee regulatory authorities may decide on a set of objective criteria to determine the entitlement of a college to development fee (within the range of 6%-15%) based on:- (a) the development expenditure incurred in the past 10 years for old colleges and 5 years for newly established colleges, (b) their future plans for expansion. In case interest cost were to be included in the determination of fees, the Development Fee should be calculated by excluding the interest cost since interest is not a part of the operating cost.

21. Hostel, mess, transport, library, and examination fees etc., could be arrived at broadly based on the actual expenses incurred for providing these services and the number of students availing these facilities. Expenses which are common and not directly identifiable should be apportioned on equitable basis to different activities for arriving at the cost of providing different facilities. Utilising the hostel, mess and transport facilities by

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students is entirely optional and students who do not utilise these facilities are not to be charged for them.

22. In respect of hostel rent, it should be left to the State Fee Regulatory Authority to decide whether the hostel rent should not exceed the municipal rental value or fair rental value in that area. However, other facilities like 24 hours security, facilities for sports activities etc. in the hostel could also be considered before coming to a decision.

23. Some of the State Authorities fix the fee for MBBS and other courses college-wise separately while in some other States, it is fixed on the basis of the median costs of all the medical colleges on consensus basis, within a narrow band. In case a State Fee Regulatory Authority desires to adopt a uniform fee structure in the State, it could do so, provided there is consensus among the colleges and the range between the minimum fees and the maximum fees calculated for colleges in the State is nominal and does not cause unnecessary financial hardship to the students.

24. The same set of guidelines applicable to the private medical Colleges under the purview of the State Fee Regulatory Authorities should be applicable to the deemed to be Universities also.

25. The State FRC may require the private medical colleges and deemed to be Universities to publish on their website a prospectus containing the annual audited accounts along with the schedules forming part of the accounts, details in respect of names of the teaching faculty (full time, part time, guest faculty etc. as well as their qualifications) and other details relating to the hospital, hostel, mess, transport and library expenses.


(Dr. Sandhya Bhullar)
Secretary, NMC

Copy forwarded for necessary information to:

1. The Secretary, Ministry of Health & Family Welfare, Government of India.
2. Additional Secretary, Medical Education Division, Ministry of Health & Family Welfare, Government of India.
3. ACS/PS/Secretaries, Medical Education - All the States/UTs
4. All the State / UT Fee Regulating Authorities
5. Director Generals Medical Educations - All the States/UTs
6. Concerned Deans/ Principals/ Directors of all Medical Colleges.
7. PS to Hon'ble Minister, Ministry of Health & Family Welfare, Government of India.
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