Ryan White HIV/AIDS Program
Parts C and D Program Income Webinar

June 7, 2016

Department of Health and Human Services
Health Resources and Services Administration
HIV/AIDS Bureau, Division of Community HIV/AIDS Programs
Agenda

- Opening comments
  - Mission of DCHAP
  - Background
  - Resources
  - How did we get here: Timeline of TA on Program Income
  - Responsibilities

- Broad Themes

- Q and A

- Closing comments
DCHAP Mission

Provide leadership and resources to assure access to and retention in high quality, comprehensive HIV care and treatment services for vulnerable people living with HIV/AIDS, their families and providers within our nation’s communities.
In the context of the RWHAP, program income is most commonly generated by the recipients and subrecipients as a result of charging for service and receiving third party reimbursement. Common examples:

- The difference between the third party reimbursement and the 340B drug purchase price.
- Reimbursements from private and public health insurance.
- Patient payments on the sliding fee scale.
Why all the attention on program income?

- In the evolving healthcare landscape, RWHAP recipients and subrecipients may generate higher levels of program income (through 340B, Medicaid expansion, state/federal marketplace).
Why all the attention on program income?

• In response, HAB provides the following resources:
  • Policy Clarification Notice #15-03 (PCN)
  • Accompanying FAQs
  • Enhanced monitoring and TA effort around
    • Long standing requirements about spending, tracking, and reporting program income generated by funds awarded through the RWHAP.
    • Maximizing the impact of limited discretionary grant funds.
    • Using program income to further the goals of your RWHAP.
Resource Documents

- PCN #15-03
- FAQs accompanying PCN #15-03
- DCHAP FAQs on Program income and MOE
- Funding Opportunity Announcements
- NOA Term on Program income
- DCHAP Site Visit Fiscal Requirement #3
- 45 CFR Part 75
How did we get here: Timeline of technical assistance

• Fall of 2015: Program Income PCN #15-03
• December 2: TA for Recipients on PCN #15-03, 15-04
• January 27, 2016: Program income and MOE training (DCHAP)
• January/March: FAQs for PCN #15-03
• April 5: Part C and D stakeholder call
How did we get here: Timeline of technical assistance

- April: DCHAP FAQs were under development
- May 3: DCHAP FAQs on PI and MOE released to staff
- May 10: DCHAP FAQs on PI and MOE released to recipients
- May 24: Program income Q&A (DCHAP)
- June 7: Program income Q&A with recipients

August 23: Workshop on program income at the RW National Conference
HRSA responsibilities

**Stewardship/monitoring to assure:**

- Recipients track program income earned and spent.
- Recipients use program income for the purposes for which the award was made (used for allowable costs under the award).
- Recipients report program income earned at the recipient level on their Federal Financial Report (FFR).
- Recipients monitor and track program income earned and spent by subrecipients.
- To the extent available, recipients and subrecipients disburse program income prior to requesting grant funds.
HRSA Responsibilities

• **Technical Assistance**
  • Recipients appropriately estimate the extent to which program income will be earned and effectively plan and budget for the allocation and utilization of program income and RWHAP funds during the period of performance.
  • Recipients are investing program income in the RWHAP. Program income:
    • Not subject to statutory distribution requirements or caps (i.e., 10% admin)
    • Can be spent on allowable activities and services that are not within the approved budget and scope of work.
  • TA through:
    • PCNs; FAQs; Webinars; National Conference; Target Center; monitoring calls; site visits; linking recipients for collaborative learning; disseminating best practices.
Broad Themes

• Program Income from 340B Drug Pricing Program
• Spending, Tracking, and Reporting Program Income
• Allowable Uses of Program Income
Program Income from 340B Drug Pricing Program
Our parent organization (Catawba Valley Medical Center) is a DSH 340B facility. Does that change the requirement regarding program income?
If RWHAP funds are used to purchase drugs under the 340B discount, then any program income that is generated from this purchase would be attributed to RWHAP even though eligibility as a 340B covered organization/entity stems solely from one's designation status as a disproportionate share hospital. (*DCHAP FAQ #1*)
Our HIV clinic is currently enrolled for the 340B program through the parent hospital under the ‘DSH’ category, and not under the ‘HIV’ category. Parent hospital owns a retail pharmacy that dispenses some of the prescriptions for our clinic patients. HIV clinic does not incur any cost on these medications, DSH hospital does. The clinic therefore does not use any grant funds towards the prescription medications. Does the revenue generated from these prescriptions still count as ‘Program Income’?
The 340B revenue generated from the purchase of the pharmaceuticals is considered program income. However, this program income is not attributable to RWHAP since in this case RWHAP funds were not used to purchase the pharmaceuticals.
How do we, the RWHAP Part C recipient, identify what is program income for Ryan White Part C in regards to money generated through our in-house 340B pharmacy from our Ryan White patients that have third party payers? In our recent re-certification for 340B covered entity status, we were required to register as both a 330 Community Health Center and a Ryan White Part C program for each of our 7 medical sites, in order to be able to use Ryan White and CHC funds to purchase the medications independently.
All 340B generated revenue is considered program income. 340B-generated revenue is the difference between the third party reimbursement (to the extent this amount exceeds the 340B purchase price) and the 340B purchase price paid. When an entity is 340B eligible under multiple awards and purchases pharmaceuticals via 340B pricing, the recipient must use a reasonable allocation method for the attribution of costs and program income, to each award and be able to document the methodology used.

Source and use of program income must be tracked and reported separately. Recipients and subrecipients should adhere to their written accounting procedures that must be compliant with 45 CFR § 75.302(b). (HAB FAQ #5, DCHAP FAQ #1, #10)
Spending, Tracking, and Reporting Program Income
Our providers are independent and are contracted by our organization to provide HIV care services. Is it possible for us to document program income on the office visits when the physicians are clearly receiving the insurance reimbursements, not the organization?
Providers contracted by the recipient would be considered subrecipients.

It is your responsibility as the recipient to monitor and track program income earned by subrecipients, and to ensure that subrecipients are using program income earned for the purposes and under the conditions of the award. *(PCN 15-03 pg. 4; DCHAP FAQ #14)*
If our organization is processing patient labs from draw to billing, can what the insurance pays be documented as program income?
Yes, funds received by billing public or private health insurance for services provided to eligible RWHAP clients are considered program income.

Program income earned at the recipient level would be reported on the FFR submitted to HRSA.

The recipient would not report program income earned at the subrecipient level on the FFR. It is the responsibility of the recipient of record to monitor and track program income earned by subrecipients and to ensure that subrecipients are using program income earned for the purposes and under the conditions of the award.

(PCN 15-03 pg. 4; DCHAP FAQ #14)
Question #6

Our program is able to bring 340B funds in because we have the RW Part C grant to serve HIV+ individuals. If we can no longer draw down Part C RW funds, and cannot justify a budget carryover, would we be at risk for potentially losing the Part C grant award (and no longer be eligible for 340B funds)?
Response #6

Per 45 CFR § 75.305(b)(5), “...to the extent available, recipients and subrecipients must disburse funds available from program income, rebates, refunds, contract settlements, audit recoveries and interest earned on such funds before requesting additional cash payments.”

Although projected program income is not reported as part of the application for RWHAP funding, HRSA’s expectation is that program income projections will be incorporated into the recipient’s planning for services based on the comprehensive HIV care and treatment needs of the recipient’s service area. This should be done to effectively determine the allocation and utilization of RWHAP funds during the current period of performance.

RWHAP recipients should develop a reasonable and transparent process for budgeting for and expending federal funds and related program income that balances both the program requirements for programmatic reporting and fiscal requirements for expending the funds. Recipients must proactively project the extent to which program income will be received, and budget accordingly.

As a reminder, program income may be obligated for major contracts issued within the project period. (DCHAP FAQ #7)
Our program understood that our 340B revenue and third party billing was program income but did not know about the requirement of using program income before drawing down grant funds. As a result, we have a balance of unexpended program income from the previous 2 years which we were unable to spend while we were ramping up our spending to meet our new revenue level. If a grantee has accumulated a balance of program income, and is continuing to make more program income each month, and has a relatively short grant performance period (2 years), it will be very challenging to ramp up spending to spend down the unexpended program income plus the new program income, plus the grant funds by the end of the grant period and then return to an annual level of revenue in subsequent years that doesn't include any unexpended program income balance.

Is there any possibility that a phased approach or a corrective action period could be applied over a longer period of time (say 5 years) to allow grantees some time to thoughtfully spend accumulated program income or adapt their agency's spending to fit the guidelines?
Spending, Tracking, and Reporting Program Income

Response #7

Program income should be expended before any additional grant funds are accessed. Any grant funding remaining at end of the grant cycle (project period) will be returned to the Treasury or more commonly used to offset the next year's grant award. Again, this does not affect a recipient's eligibility for the next competitive cycle, but you will need to take into account available/projected program income as you consider your budget request. Although projected program income is not reported as part of the application for RWHAP funding, HRSA’s expectation is that program income projections will be incorporated into the recipient’s planning for services based on the comprehensive HIV care and treatment needs of the recipient’s service area. This should be done to effectively determine the allocation and utilization of RWHAP funds during the current period of performance.

RWHAP recipients should develop a reasonable and transparent process for budgeting for and expending federal funds and related program income that balances both the program requirements for programmatic reporting and fiscal requirements for expending the funds. Recipients must proactively project the extent to which program income will be received, and budget accordingly.

(45 CFR Part § 75.2; PCN 15-03 pg. 4; HAB FAQ #13; DCHAP FAQ #7)
Is carryover of Ryan White grant funds ever granted from one competitively awarded project period to the next? For example, our two year competitively awarded grant period ends on 4/30/17. Is it possible to carryover grant funds to the next competitively awarded grant period (ex: 5/1/17-4/30/20)?
No, RWHAP grant funds cannot be carried over from one project period to the next. If RWHAP grant funds are remaining at the end of the project period, then the unobligated funds are recouped from the grant recipient.
Question #9

What happens if, despite efforts to spend program income in the period in which it is received, a grantee has unexpended program income at the end of the project period (ex. 3 year competitively awarded cycle)? PCN 15-03 seems to indicate that they should use those program income funds in the subsequent project period before requesting additional grant cash payments. Is that correct?
Yes, that is correct. In the next competitive cycle, should the recipient receive a subsequent award, the program income received at the end of the prior project period should be expended prior to requesting new RWHAP grant funds.

As a reminder, program income may be obligated for major contracts issued within the project period. As noted in 45 CFR Part § 75.2, “expenditures” means charges made by the recipient to the RWHAP award. For recipients on an accrual basis of accounting, the expenditure is recognized at the time the cost is incurred (when the contract is awarded). If program income is obligated for a contract awarded during the project period, the expenditure has been recognized (program income has been spent). Neither the contract’s period of performance nor when the funds are actually paid (liquidated) is a factor. So long as the program income is obligated prior to requesting additional grant funds, the recipient is in compliance with 45 CFR 75.305(b)(5). *(PCN 15-03 pg. 4; DCHAP FAQs #7, #8)*
It is a challenge to spend carry over funds if we don't receive a final decision until 4-5 months into the grant year. If we submit our FFR earlier than the 90 day deadline, can we submit a Carryover Request for our grant funds immediately afterwards? Will this speed up the final decision on whether the carryover is granted?
DCHAP cannot guarantee a faster processing of the carryover request.

**Remember: The goal is to spend all grant funds within the budget period.**

If recipients cannot do so, the FFR may certainly be submitted earlier. In doing so, please ensure that the FFR reconciles with PMS to facilitate timely review and approval.
Our current Part D NoA will end July 31 and does not have the new language re: program income PCN #15-03. Our current Part C with new start of April does have the language. Do I start Part C requirement in April and wait until new NoA for Part D starts in August when new language will be present? It seems a start date for this PCN went into effect is not clear.
Spending, Tracking, and Reporting Program Income

Response #11

The definition of program income and the related requirements have been in effect since the inception of the RWHAP.

Recipients are notified in item 15 of the NoA that program income is subject to the additive [A] alternative.

An expanded program income-related term is included in recent NoAs to direct recipients to PCN #15-03 and related FAQs that provide greater clarification on existing requirements, use, and reporting requirements.

All awards must adhere to the program income requirements.
This question is regarding reporting of program income on the FFR. The award end date is 3-31-16. What if the patient was seen in March but the revenue didn’t post until April? Where do you include program income? Old grant (ending 3/31) or new grant (beginning 4/1)?
Program income should be reported for the budget period in which it was received. It is recommended that the organization develop a consistent methodology by which this is tracked and documented. *(DCHAP FAQ #6)*
We have recently received conflicting advice regarding reporting of program income that has caused some confusion.

1. Report only program income that is directly generated by RW supported (funded) activities. In an example where RW Part C pays for provider FTE, only income generated by the RW funded medical providers should be counted. Income from providers with no RW funding should not be counted. When a provider has both RW and non-RW funding an allocation method can be used to determine how much of that providers program income to report. This is what we understand from the PCN and Q&A’s and from our project officer.

2. Report all program income earned at your clinic (divide between Part C and Part D per allocation) because it is considered a RW clinic even though it is only partially funded by Ryan White. This was advised by a presenter at the New Jersey Fiscal Sustainability technical assistance session to our staff who attended.
It is important to note that these two responses are not in conflict with one another, but in fact work in conjunction with each other.

Program income is attributable to a program, not to an individual that may be involved in generating it.

Therefore, if for example, program income was generated through third party reimbursements from RWHAP services delivered, then this should be attributed to the respective Ryan White HIV/AIDS Program. *(HAB FAQ #16, DCHAP FAQ #11)*
On the recent program income call, the speaker stated that ALL program income must be disbursed prior to requesting additional grant funds in the form of "draw down from the payment management system." We would like to discuss this further based on information received as a part of our 2014 RW Part C site visit where spending of program income was discussed and we were told to maintain a "robust" strategic plan of how program income will be expended. How is it possible to save money to make large purchases (buildings, vehicles, etc.) if funds must be spent as soon as they are received? We have talked to other programs that have built new facilities with program income, but we are aware that this is not allowable per the guidelines.
To the extent available, recipients and subrecipients must disburse funds available from program income, rebates, refunds, contract settlements, audit recoveries and interest earned on such funds before requesting additional cash payments.

Recipients and subrecipients should strive to proactively secure and estimate the extent to which program income will be accrued. This should be done to effectively determine the need for RWHAP funds and their allocation and utilization during the current period of performance.

Construction, major renovation and purchase of buildings or other facilities are unallowable expenses under RWHAP. However programs may purchase or lease vehicles as allowable costs.

*(45 CFR 75.305(b) (5); 45 CFR Part § 75.2; PCN 15-03; DCHAP FAQ #7; DCHAP FAQ #8).*
How should program income be reported on the FFR in the following scenario: A grantee has an unexpended balance of program income at the start of the grant year of $100,000. They had reported this as program income earned on the previous year's FFR line l. and as unexpended program income on line o. During the current grant year, they make an additional $200,000 in program income, in addition to their $500,000 in grant funding. Therefore they have $800,000 total available to spend during the grant year and they spend all of it on Ryan White eligible services. What should be reported on the current grant year's FFR? Should they only report the current year's grant and program income earned and expended or should they include the unexpended program income amount from the previous year in the program income earned line l. and/or program income expended line n. of the FFR?
The FFR should reflect program income received during the respective budget year. If there is program income that was unexpended in the prior budget year, this should be documented in the "notes" section of the FFR.

Similarly, any prior year program income expended in the subsequent budget years should be reflected in the appropriate budget year and this action should be documented in the "notes" section of the FFR. Keep in mind that this is an instance where program income earned (line 10.1 of the FFR) will be less than program income expended (line 10.2 of the FFR) due to the unexpended balance that was carried over.
 Allowable Uses of Program Income
Allowable Uses of Program Income

Question #16

Can Program Income be used to cover salaries beyond the HRSA salary cap? And if so, is there a limit on amount/\%?
Allowable Uses of Program Income

Response #16

No, program income may not be used for wages in excess of the salary rate limitation as such costs are unallowable. The General Provisions in Division H, § 202, of the Consolidated Appropriations Act, 2016 (P.L. 114-113), limits the salary rate that may be awarded and charged to HHS grants and cooperative agreements. This limitation also applies to RWHAP subrecipients. *(HAB FAQs - Use of Program Income #8; DCHAP FAQs #20)*
Allowable Uses of Program Income

Question #17

Is it appropriate to use program income to pay for clients' Marketplace and COBRA insurance premiums?
Yes. Program income must be used for the purposes for which the award was made, and may only be used for allowable costs under the award. Insurance premiums and cost-sharing assistance are allowable costs as described in PCN 10-02 and 16-02 respectively.
Questions?
Thank you!