

Financial Forecasting

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Objectives

Participants will learn:

1. How ADAPs are funded and the tracking and budgeting requirements for each funding stream
2. How to forecast each type of funding and forecasting by funding stream
3. Three models for forecasting, including a live demonstration of a forecasting model

ADAP Funding Streams

Differences across funding sources

- Each source of funding may have differing requirements related to:
 - What funds may be used for
 - The time period in which funds may be expended (budget period)
 - Whether unobligated funds can be requested to carry over to the next year
 - Whether penalties can occur if funds are not expended
- Differences impact how funding streams are budgeted and guide how funds are reallocated, if necessary, to ensure all funding streams are expended efficiently

RWHAP Part B Formula Award (HRSA Activity Code X07)

Budget Period: April 1 – March 31

- Includes Part B formula, ADAP Base, ADAP Supplemental, Emerging Communities (EC), and Minority AIDS Initiative (MAI).
- Use of funds specified by legislation, HRSA HIV/AIDS Bureau (HAB) policies and Notice of Award (NOA)
 - Includes HIV core medical services (including ADAP) and support services and administrative, planning and evaluation, and clinical quality management activities.
- Certain funds may be carried over to the next year

RWHAP Part B Formula Award (cont.)

(HRSA Activity Code X07)

(Continued)

- Recipients may request carryover of UOB without penalty if the UOB is due to the required expenditure of rebates
 - Penalties, including reduction of future award amounts and restrictions on what supplemental grants for which the recipient may apply, can occur if the UOB exceeds 5% of grant funds

RWHAP Part B Supplemental (HRSA Activity Code X08)

Budget Period: September 30 – September 29

- Use of these competitive funds specified by legislation, HAB policies and Notice of Award (NOA)
 - Supplements care and treatment services funded under X07
 - Includes HIV core medical services (including ADAP) and support services and administrative, planning and evaluation, and clinical quality management activities.
- Recipients may request carryover of UOB if the UOB is due to properly expended rebates and there is a subsequent project period into which funds can be re-obligated
 - There is no unobligated balance penalty for X08

ADAP Emergency Relief Funds (ERF) (HRSA Activity Code X09)

Budget Period: April 1 – March 31

- Use of these competitive funds specified by legislation, HAB policies and Notice of Award (NOA)
 - Provides funding to prevent, reduce, or eliminate ADAP waiting lists, including through cost-containment measures
 - Only costs allowable under the ADAP service category and administrative costs are allowable under X09
- Recipients may request carryover of UOB only if there is subsequent project period into which funds can be re-obligated.
 - There is no unobligated balance penalty for X09

Rebates and Program Income

Budget Period: 12-month budget period as reported on the X07 FFR

- Funds must be used for otherwise allowable purposes under the RWHAP Part B
 - Limits on costs for RWHAP funds do not apply (i.e., administrative cap)
- Rebates and program income must be accounted for and utilized in the year in which they are received
 - To the extent available, rebates and program income must be spent prior to grant funds
 - Rebates received at the end of the grant year can be carried over to the next grant year
 - HRSA does not define “end of the grant year”

State, territorial, and other jurisdiction funds

Budget Period: determined by each recipient's appropriating body; usually aligns with the jurisdiction's fiscal year

- Funds are used for purposes specified by the jurisdiction's appropriating body
 - This is usually the jurisdiction's legislature or legislative committee
- Funds are not typically carried over, but specific terms and conditions are set by the jurisdiction's appropriating body
- Penalties are not typically assessed by the jurisdiction, but the state or territory may reduce or increase the appropriation based on expenditure rates

State matching funds

- The purpose of the state matching requirement is:
 - To ensure RWHAP funds supplement resources provided by RWHAP Part B recipients in providing services to individuals with HIV and their families
 - To assure a commensurate level of state/territorial support for HIV care.

Escalated Match Following Two Consecutive Years with 1% of the Total US AIDS Cases	Dollar Matching Requirement
First year with 1% of AIDS cases	\$1 state funds for each \$5 of federal funds
Second year with 1% of AIDS cases	\$1 state funds for each \$4 of federal funds
Third year with 1% of AIDS cases	\$1 state funds for each \$3 of federal funds
Fourth year with 1% of AIDS cases	\$1 state funds for each \$2 of federal funds
Fifth and subsequent years with 1% of AIDS cases	\$1 state funds for each \$2 of federal funds

State matching funds (cont.)

- Funds used to meet the state matching requirements must expand HIV-related activities and have a designated line-item in the state budget and expenditure report. Examples include:
 - State contributions to ADAP and/or other RWHAP services
 - Rebate funds received from pharmaceutical companies for prescription drug purchases
 - State Pharmacy Assistance Program (SPAP) funds
 - State-funded HIV-related salaries (DIS, ADAP, pharmacy, program staff, home care, etc.)
 - State funds spent on health insurance for people with HIV not served by the RWHAP
 - ADAP delivery/courier fees
 - Department of Corrections funds for medical care to incarcerated individuals with HIV
 - State share of Medicaid expenses for HIV positive individuals
 - State-funded HIV prevention, HIV care and/or surveillance efforts

Other RWHAP Parts

- Some jurisdictions receive contributions from other RWHAP Parts, particularly RWHAP Part A
- More common when other Parts must manage larger than expected UOBs or where waiting lists or other cost containment measures exist (or risk being implemented)

Coordinating multiple funding cycles

- Recipients coordinate budgeting of activities and expenditures to maximize the use of funds and reduce risks of penalties or loss of funding
- Things to consider:
 - The “least flexible” to “most flexible” requirements of each funding stream
 - The funding that can and cannot be carried over to subsequent years
 - The different budget time periods when allocating funds

Tracking and Budgeting

Systems of accounting

- **Accrual basis:** recognizes expenses when they are obligated or billed (and revenue when it is earned)
- **Cash basis:** recognizes expenses only when they are paid (and revenue when it is received)

Obligations and expenditures

- **Obligated funds:** a legally binding commitment (such as contracts and purchase orders) that will result in outlays of funds immediately or in the future for specific purposes
- **Unobligated funds:** funds that are not legally committed by contract or other action during the budget period. An unobligated balance (UOB) for certain federal awards may result in penalties, including reduced awards in future years
- **Expenditures:** payments to liquidate obligations
- **Unexpended funds:** funds that have not yet been paid (cash basis accounting) or billed (accrual basis accounting)

Expenditure reports

- Expenditure reports reflect how and when funds have been spent, such as on medications, insurance premiums, medication cost shares, salaries and other costs
- Expenditure tracking reports should be generated as often as helpful but not less than quarterly
- Monitoring of expenditure tracking reports:
 - Identifies when actions are needed to correct unallowable uses of funds
 - Let's your jurisdiction know if there are remaining funds to cover budgeted items
 - Let's your jurisdiction know if funds will not be spent on originally budgeted items
 - Indicates actions needed to move budgeted items to other funding sources if your jurisdiction anticipates over-spending or under-spending (reallocation)
 - Helps your jurisdiction minimize or avoid UOB

What is a budget?

- A budget helps your jurisdiction plan, organize, and track the financial support for ADAP
 - Where is the money coming from?
 - How much money is there?
 - What will it be spent on?
 - What does the program need?
 - What can we afford?
- Funds are allocated to specific anticipated costs (line items) such as:
 - Personnel
 - Medications
 - Insurance Premiums and/or Cost Shares (co-payments, deductibles)
 - Contracts

Coordinated budgeting

- Establishing the team
 - Fiscal team members are experts in technical elements of budgeting
 - Program team members are experts in program needs
 - A team consisting of both areas of expertise support the program in serving as many people as possible with the best quality of services
- Since ADAP is a component of the RWHAP Part B:
 - An ideal budget includes and coordinates all RWHAP Part B elements
 - More than one funding stream can be used to support salaries or activities
 - Program stability can be achieved by using funds as flexibly as possible
 - Various activities can be supported at different times in the year

Allowable uses of rebates and program income

- Rebates and program income tied to ADAP and/or RWHAP-related 340B eligibility must be spent on otherwise allowable RWHAP purposes.
- Rebates and program income may be expended for any cost that is allowable within the RWHAP, even if the costs were not included in the RWHAP Part B program implementation plan. Rebates and program income are not subject to the following statutory caps:
 - Minimum 75% distribution of funds for core medical services
 - 10% administrative cap
 - 10% planning and evaluation cap
 - Cap on clinical quality management (CQM)

Budgeting rebates and program income

- Recipients should develop a reasonable and transparent process for budgeting and expending rebates and program income that balances both the program requirements for reporting and fiscal requirements for expending the funds.
 - ADAPs should estimate anticipated program income and rebates and determine when RWHAP funds will be needed during the upcoming budget period
 - ADAPs must proactively project the extent to which program income and/or rebates will be received.
 - ADAPs should work with their finance departments to take into consideration lag time in requesting and receiving rebate and program income funds from manufacturers in their budget for the year.

How to Forecast Funding

Forecasting

- Forecasting budgets and expenditures helps recipients:
 - Plan how to meet program and client needs
 - Project whether there is enough funding to sustain the program
- One, two, and three year forecasts are ideal, depending on the maturity of fiscal and program data

Forecasting revenue

- Identifies all funding streams included in the budget and projects funding amounts for each
- Estimates amounts to allocate to program and client needs
- Considers historical funding received as well as factors that could increase or decrease possible funding
- Revenue streams can include:
 - Federal funding
 - State funding
 - Rebates and program income

Forecasting expenditures

- Things to consider:
 - Historical patterns and rates of expenditures for every funding stream
 - Factors that could increase or decrease expenditures
 - Program changes
 - New client enrollment
 - Increased costs of medications or insurance premiums
 - Amount of available (budgeted) funds
- Revenue forecasts should be reconciled to actual expenditures on a routine basis to keep forecasts current
 - Ideal frequency is at least quarterly

How rebates are generated and used

Generating rebate	Rebates generated from a federal ADAP dollar to the 340B price	Rebates generated from a federal ADAP dollar from the 340B price to a sub-340B negotiated price	Rebates generated from a state dollar allocated to ADAP to the 340B price
Use of rebate	Must be used in accordance with federal regulations and RWHAP policy and guidance		
Why the rule applies	Directly generated by a supported activity or earned because of the federal award.		Would not qualify for the 340B Drug Pricing Program without the initial federal investment in the program.

Expending rebates and program income

- RWHAP recipients and subrecipients must:
 - To the extent they are available, spend program income and rebates prior to drawing grant funds
 - Rebates received at the end of a project period must be spent before requesting and expending RWHAP funds awarded (including any carry over of unobligated balances) in the subsequent budget period
- RWHAP Part B recipients should work with their sub-recipients and other RWHAP-funded entities in their states to develop a comprehensive plan to utilize all program funding available, including rebates.
- Looking at sub-recipients from a needs-based approach, versus a more defined set of services, can allow for an increase in funds to be allocated and expended.

How ADAPs Forecast: Examples from Two Jurisdictions

Example One

Example Two

Sample Budget and Forecasting Tool

Sample Budget

Financial Forecasting Tool: live demonstration!