



Money Matters

Ryan White HIV/AIDS Program Part B

Administrative Reverse Site Visit

October 23, 2019

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Vision: Healthy Communities, Healthy People



Learning Objectives

- Identify the authoritative source documents guiding the fiscal requirements for Ryan White HIV/AIDS Program (RWHAP) Part B
- Learn about fiscal monitoring standards and how to implement the standards
- Gain a better understanding of fiscal monitoring of subrecipients for unit costs, indirect costs, and fringes
- Develop approaches on how to monitor subrecipients

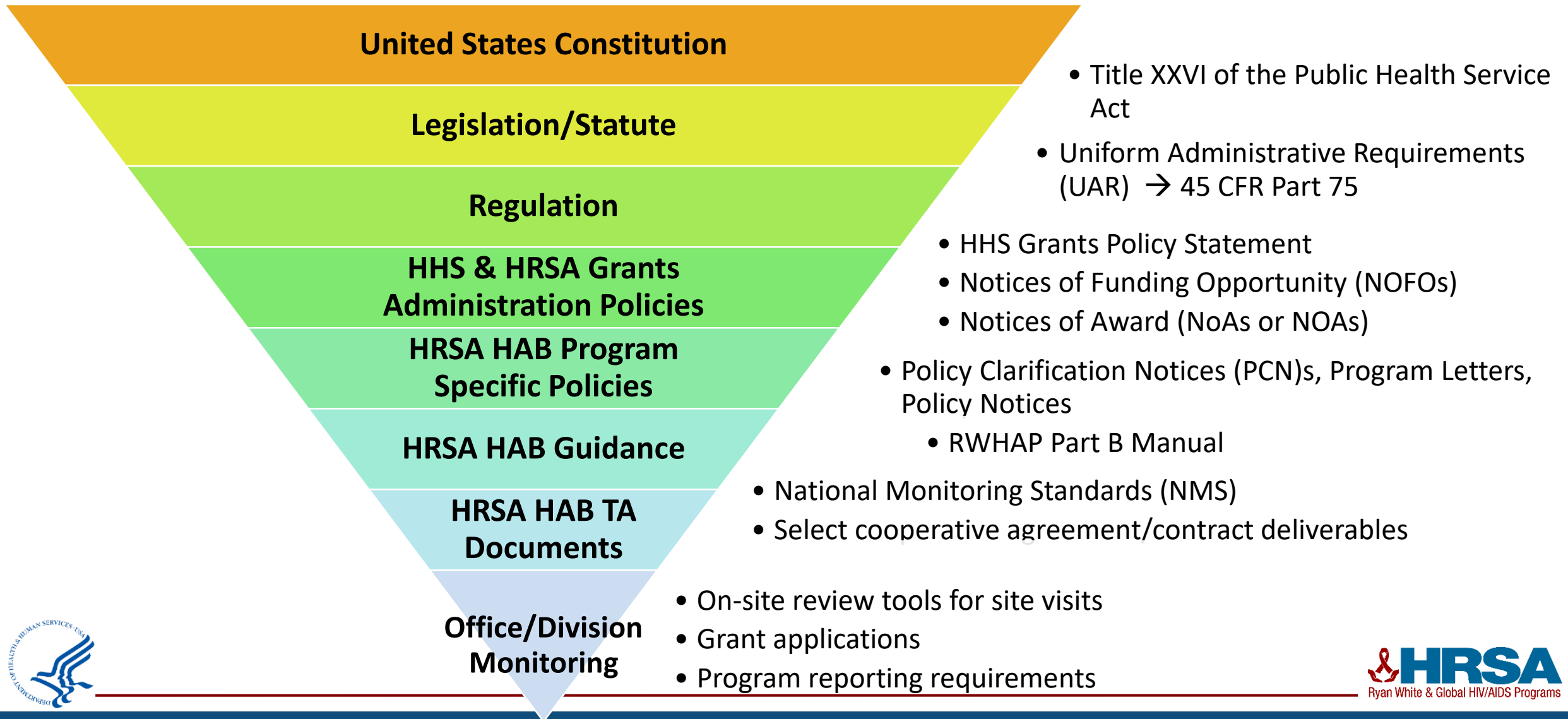


Relative Authorities

What are the source documents?



Hierarchy of Authorities



Fiscal Monitoring Standards

Technical Assistance For Fiscal Requirements



Purpose of Monitoring Standards

- Provide a compilation of all major RWHAP documents used for COMPLIANCE, OVERSIGHT, and EXPECTATIONS
- Assist recipients in meeting federal requirements for program and fiscal management, monitoring, and reporting
- Help standardize monitoring of recipients
- Clarify the oversight expectation of RWHAP Part B Program
- Assist recipients in complying with monitoring expectations
- Identify specific roles regarding monitoring of subrecipients



General Expectations

- Any agency or individual receiving federal funding is required to be monitored for compliance with federal and programmatic requirements
- Recipients must perform fiscal monitoring activities to ensure RWHAP funding is being used for approved purposes and in compliance with federal requirements
- Recipients are required to conduct “comprehensive” annual monitoring site visits to all subrecipients, unless an exemption has been granted by the DSHAP



Recipient Responsibilities

- Ensure compliance with all relevant authorities
- Conduct annual monitoring visits to document subrecipient compliance
- Develop agency policy for monitoring subrecipient fiscal compliance
- Provide TA to subrecipients around monitoring standards
 - Tip: Provide National Monitoring Standards (NMS) to subrecipients as a TA tool
- Keep Division of State HIV/AIDS Programs (DSHAP) project officer informed about monitoring activities



Key Fiscal Requirements

What are some of the key things recipients should know when implementing RWHAP Part B?



RWHAP Part B Fiscal Requirements

Fiscal implementation of the RWHAP award starts with requirements and terms set forth in the RWHAP legislation, HRSA HAB PCNs, NOFO, and NOA

- **Limitation on Uses of Part B Funding**
- **Unallowable Costs**
- **Payor of Last Resort**
- **State Match**
- **Maintenance of Effort (MOE)**
- **Imposition of Charges**
- **Program Income**
- **Financial Management**
- **Property Standards**
- **Auditing Standards**
- **Cost Principles**
- **Fiscal Procedures**



Presentation Topics

Fiscal Requirements

- **Limitation on Uses of RWHAP Part B Funding**
- **Imposition of Charges**
- **Program Income**
- **Financial Management**
- **Cost Principles**





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Limitations on Use of RWHAP Part B Funding

**CAPS ON ADMINISTRATION, PLANNING AND EVALUATION, AND
CLINICAL QUALITY MANAGEMENT COSTS**

Limitations on RWHAP Part B Funding

- 10% limit on administrative and evaluation cost
- 15% limit on proportion of federal funds spent on recipient administration and planning and evaluation in any given grant year
 - Each component may not be more than 10%
- Total clinical quality management costs can not exceed 5% of the annual RWHAP award or \$3 million whichever is least

Limitations on RWHAP Part B Funding - Continued

- A minimum of 75% of direct service funds must be spent on **Core Medical Services**
 - Includes ADAP
- A maximum of 25% of direct service funds must be spend on **Support Services**
 - **Exception:** A recipient can apply for and receive an approved Core Medical Services Waiver. Instructions may be found at: <http://www.gpo.gov/fdsys/pkg/FR-2013-05-24/pdf/2013-12354.pdf>
 - **Service Category Definitions:** Policy Clarification Notice (PCN) #16-02 revised: RWHAP Services: Eligible Individuals and Allowable Uses of Funds <https://hab.hrsa.gov/program-grants-management/policy-notices-and-program-letters>

Limitation on Uses of Part B Funding

- ❖ RWHAP Part B Recipients (Recipients)
 - The portion of direct *and indirect* facilities expenses related to core medical and support services provided to RWHAP clients would not count toward the 10% administrative limit
- ❖ For RWHAP Part B Subrecipients
 - The portion of direct facilities expenses related to core medical and support services provided to RWHAP clients would not count toward the 10% administrative limit
 - All indirect cost would count toward the 10% administrative limit

Principles for the proper allocation administration

Direct cost—A cost that can be accurately traced to a program/service activity with little effort.

Indirect (F&A) cost— A cost that is not directly traceable to a program/service activity

Indirect cost rate – Is a device/methodology for determining fairly and conveniently how much of the common (hard to trace) cost each program should bear

	Easy to trace	Direct or Indirect
Rent		
Utilities		
Nurse practitioner		
Postage		
Office supplies		
Ins Asst. Coordinator		
Copier		
Printing		
Audit		
File clerk		
Receptionist		
Internet		
MCM supervisor		

Payor of Last Resort— 2617(b)(7)(F) of the PHS Act

RWHAP grant funds cannot be used to make payments for any item or service if payment has been made, or can reasonably be expected to be made with respect to that item or service

- under any state compensation program
- any insurance policy
- any Federal or State health benefits program or
- by an entity that provides prepaid health care

* (except for a program administered by or providing the services of the Indian Health Service and/or the Veterans Administration)

340B Drug Pricing Program -Rebate Option

The 340B Drug Pricing Program (340B Program) provides eligible entities access to discounted medications

The 340B Program's rebate option for RWHAP ADAPs

- RWHAP ADAPs submit claims to pharmaceutical manufacturers for rebates on medications that were not purchased at the 340B prices
- Only RWHAP ADAPs are eligible for 340B rebates

Rebate

- a return of a part of a payment

REBATES

RWHAP ADAP rebates are neither program income nor refunds

Recipients and subrecipients must disburse funds available from rebates before requesting additional cash payments

Recipients and subrecipients should proactively project the extent to which rebates will be received

HRSA expects that the rebate projections will be incorporated into the jurisdiction's plan for service based on the comprehensive HIV care and treatment needs of the the jurisdiction

REBATES - Continued

Rebates from RWHAP ADAP Drug Purchases can be applied only to statutory permitted purposes:

- Core
- Support
- Planning and Evaluation
- Administrative
- Maintenance of Effort
- State Match Requirement

Prohibits budgetary transfer to RWHAP Part A, Medicaid, and other state or federal programs

Imposition of Charges

Imposition of Charges

- “Imposition of Charges” describes all activities, policies, and procedures related to assessing RWHAP patient charges as outlined in legislation
It’s the law!
 - Public Health Service Act Sections 2605(e), 2617(c), and 2664(e)(1)(B)(ii)
 - Based on individual (not family income)
 - Prohibits charges imposed on RWHAP patients with incomes below FPL
 - Requires charges imposed on RWHAP patients with incomes above FPL
 - Established annual caps on charges
- No RWHAP patient shall be denied service due to an individual’s inability to pay
- RWHAP statute does not require that agencies turn patients that fail to pay over to debt collection agencies

Imposition of Charges - Continued

**Schedule
of Charges**



**Cap on
Charges**



**Imposition
of Charges**

Important Definitions

- **Fee Schedule:** complete listing of billable services and their associated fees based on locally prevailing rates or charges. *A fee schedule is **not** a schedule of charges.* A fee schedule is not required by the RWHAP legislation, having one in place is considered a best practice, and is a requirement for Bureau of Primary Healthcare (BPHC) grant recipients
- **Schedule of charges:** fees imposed on the patient for services based on the patient's annual gross income. A schedule of charges may take the form of a flat rate or a varying rate (e.g. sliding fee scale)
- **Nominal Charge:** fee greater than zero

More Important Definitions

- **Cap on charges:** limitation on aggregate charges imposed during the calendar year based on RWHAP patient's annual gross income. All fees are waived once the limit on annual aggregate charges is reached for that calendar year
- **Waiver:** recipients operating as free clinics (e.g. healthcare for the homeless clinics) have the option to waive the imposition of charges on RWHAP patients
 - Only a handful of recipients are operating as free clinics. Therefore, most recipients should be charging RWHAP patients over 100% FPL for services rendered, even if it is only \$1

Requirements

Schedule of Charges

- May not assess a charge on RWHAP patients with incomes at or below 100% FPL
- Must assess a charge on RWHAP patients with incomes above 100% FPL
- The schedule of charges must be publicly available
- Placement on the schedule of charges is based on individual annual gross income

Cap on Charges

- Limitation on aggregate charges imposed during the calendar year based on a RWHAP patient's annual gross income.
- Cap on charges is based on income as a percentage of federal poverty level (FPL):
 - 101-200% FPL – 5% cap
 - 201-300% FPL – 7% cap
 - >300% FPL – 10% cap

Program Income

Program Income- Account for All Resources

Program income means gross income earned by the non-federal entity that is directly generated by a supported activity or earned as a result of the federal award during the period of performance

HRSA HAB must specify the alternative and allowable use of program income on the Notice of Award – ADDITION ALTERNATIVE

PCN #15-03: Clarifications Regarding the Ryan White HIV/AIDS Program and Program Income
https://hab.hrsa.gov/sites/default/files/hab/Global/pcn_15-03_program_income.pdf

Program Income— 340B Drug Pricing Program

What is 340B generated revenue?

Third party reimbursement

- the 340B purchase price + dispensing cost

= Program income

Is the difference between the purchase price and the third party reimbursement program income?

Yes

Program Income--45 CFR § 75.307(e)

- Recipients are required to track and report all sources of service reimbursement as program income on the annual Federal Financial Report (FFR) and in annual data reports. All program income earned must be used to further the objectives of the RWHAP
- Additionally, it is the responsibility of the recipient to monitor subrecipients' program income to assure it is being tracked and used for core, support and administration services. Subrecipients should retain program income for “additive” use within their own programs. Consequently, program income earned by subrecipients should not be reported on the recipient's FFR

<https://hab.hrsa.gov/sites/default/files/hab/Global/pcn15-03programincome.pdf>

Financial Management Systems

Standards for Financial Management System

Financial Management Systems

45 CFR 75.302 - Financial management and standards for financial management systems

- Identify and track funds received and expended
- Provide accurate, current, and complete financial results
- Compare actual expenditures with budgets
- Have documentation to support expenditures
- Have adequate internal controls, including establishing and maintaining written procedures (§75.303)
- Have adequate subrecipient monitoring and management (§75.351-353)

Financial Management Systems - Continued

RWHAP Part B recipients must establish standards, policies, procedures and systems at recipient and subrecipient levels for

- Financial Policies and Procedures
- Recipient and subrecipient documentation requirements
- Processes and timeframes for payment/reimbursement
- **Processes to track all funds using general accounting practices, including income and expenses pertaining to the RWHAP Part B Program**
- **Processes to track expenditures by each component of the RWHAP B X07 Award (RWHAP Part B base, RWHAP ADAP base, RWHAP ADAP supplemental, Emerging Community or EC, MAI)**
- **Processes to track expenditures by category – administration, clinical quality management, core and support services**

COST PRINCIPLES

Cost Principles

Subpart E of 45 CFR 75 establishes principles for determining the allowable costs incurred by non-federal entities under federal awards

- **Allowable §75.403**
 - Conformance with limitations and exclusions contained in the terms and conditions of award
- **Allocable §75.405**
 - Goods or services are chargeable or assignable to a specific grant, function, department, or other component (i.e., cost objective) in accordance with the relative benefits received or other equitable relationship
 - Allocable to grant if
 - ✓ incurred to advance work under grant
 - ✓ benefits both grant and other work of organization, or
 - ✓ is necessary to overall operation of the organization and is assignable (at least in part) to the grant.
- **Reasonable §75.404**
 - In its nature or amount, cost does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost

UNIT COST

TOOL FOR TESTING COST PRINCIPLES

Unit Cost – Process

The process of determining Unit Cost has five basic steps

1. Define the exact unit of service
2. Count the total number of units in a given time period
3. Determine the direct and indirect expenses of producing a unit of service
4. Add the components of full cost for the same time period
5. Divide the full cost by the total number of service units to arrive at the average cost during a particular time period

Unit Cost

Step 1: Define the exact unit of service

- **No industry standard which makes services difficult to define**
- **The unit can be defined by**
 - ✓ Identifying the services
 - ✓ Using HRSA guidance, industry and historical information to define the non-medical unit
 - ✓ Using an effective and realistic unit service methodology
 - Example: the number of visits or a certain amount of time

Unit Cost

Step 2: Count Total Number of Units in Specific Time Period

- **Assess agency data collections capabilities**
 - Is there an automated information system based on client's records with total number of services provided?
 - ❖ Patient Management System
 - ❖ Electronic Health Record (EHR)
 - ❖ CAREWare
 - If manual system is used, there is a need to have logs, appointment schedules, etc.
- **Select a specific report time period**

Unit Cost

Step 3: Determine Direct and Indirect Cost

- **Other side of the unit cost equation is determining the full cost of the service**
 - Fixed Costs
 - Overhead costs
 - Variable costs
 - Direct material costs
 - Direct labor cost
- **Divide the cost into direct and indirect**

Unit Cost

Step 4: Determine Full Cost of Service

- **Full cost includes all of the expenses which are directly and indirectly necessary to provide the service**

- Definition includes

Direct + Indirect Cost = Total operational/service cost

Direct and Indirect cost

+

Depreciation

+

Validation of donated goods and services

=

FULL COST

- Same time period of data

Unit Cost

Step 5: Average Unit Cost

- Divide the full cost by the total number of service units to arrive at the average cost during a particular time period
- The Unit Cost Formula is determined by dividing the total allowable costs by the total number of units provided
- Allowable Direct and Indirect Costs of Service
Service Category Units of Service as defined

Unit Cost – When Federally Funded

Determining the full cost of the service funded with federal dollars

- **45 CFR 75.301 must be taken in consideration**
 - “In accordance with above mentioned standard information collections, and when applicable, recipients must also provide cost information to demonstrate reasonableness and cost effective practices (*e.g.*, through unit cost data).”
- **Principles that apply**
 - Cost Principles – 45 CFR 75, Subpart E
 - RWHAP administration definition and limitations – PHS
 - Other applicable cost principles, i.e., accorded equal treatment when using an allocation methodology

Unit Cost – Exercise – Yes “or” No

What is a unit cost ?

Unit cost is the amount of money that it cost a company to produce one article?

Unit cost and unit price are related but not the same thing ?

Unit Cost can be use to assess the reasonableness of the payment ?

Medicare, Medicaid, physician practices use cost to established their service fees/charges ?

In manufacturing the fixed manufacturing overhead costs subtracted are from total cost ?

Is the average expense per client the same as the average unit cost ?

Unit cost relates to the agency funding source ?

Unit cost is not an estimate but the exact cost of the service ?

SUBRECIPIENT MONITORING

WHAT DOES HRSA EXPECT AND WHERE DO I START?

Subrecipient Fiscal Monitoring

Subrecipient vs. Contractor

- Subrecipient carries out programmatic activities to meet the goals and objectives of the funded project
- Contractor provides goods and services within normal business operations for the benefit of the recipient (ancillary to the operation of the federal program)

Subrecipient “or” Contractor

Subrecipient	Yes	No
Able to determine who is eligible to receive Ryan White HIV/AIDS Program (RWHAP) assistance?		
Has its performance measured in relation to whether objectives of the RWHAP are met?		
Responsible for programmatic decision making?		
Responsible for adherence to programmatic and fiscal requirements specified in the RWHAP Part B grant?		
Using the funds to provide core medical or support services to low-income people living with HIV (PLWH), as opposed to providing goods or services for the benefit of your organization?		

Subrecipient “or” Contractor

Contractor	Yes	No
Provides goods or services within normal business operations?		
Provides similar goods or services to many different purchasers?		
Normally operating in a competitive environment?		
Providing goods or services that are ancillary to the operation of the RWHAP-funded program?		
Subject to programmatic and fiscal compliance requirements of the RWHAP as a result of the contract?		

Monitoring Expectation for Subrecipients

- HRSA expects recipients to monitor their own compliance with fiscal standards and to monitor subrecipients
- Monitoring
 - **Tests compliance** with federal and program regulation and expectations (45CFR75, legislation, PCN, letters)
 - Includes **Technical Assistance**
 - **Prevents** subrecipient compliance issues that might result in future disallowment by auditors
 - **Performed during the grant year** to allow for corrective measures and an opportunity for improvement

Example: Subrecipient Monitoring Limitation on Uses of Part B Funding

Interview Question

- How do subrecipients track their administrative costs?
- Can you or your colleagues share your understanding of the direction provided by HRSA HAB on various PCNs in relation to treatment of costs as administrative in nature?
- Do you presently use any unit cost reimbursement methods in paying for direct services? If so, how the administrative portion of those costs are identified?

Desired Outcomes

- Subcontractors administrative expenses must be related to RWHAP Part B services, allocated directly, fee for service or cost of subrecipient based reimbursement
- Administrative expenses meet “cap”
- Indirect costs are part of the subrecipient 10% of administration in the aggregate

Example : Subrecipient Monitoring

Cost Principles – Fringe Benefits

Standard: Recipients and subrecipients must comply with 45 CFR 75 Subpart E – Cost Principles and the terms and conditions of the award

Documents and questions to review

- Subrecipients to substantiate the fringe benefit costs included on the monthly invoices, (e.g. health insurance), if allocated directly
- Cost allocation methodology and worksheet for those costs allocated by percentage
- Subrecipient service budgets

Example : Subrecipient Monitoring

Cost Principles – Fringe Benefits (Continued)

Interview/Questions

- How does the agency define fringe benefits for subrecipient?
- What type of documentation is required to substantiate fringe benefits?

Desired Outcomes

- The costs of fringe benefits are allowable provided that the benefits are reasonable and are required by law, non-federal entity-employee agreement, or an established policy of the non-federal entity.
- Fringe benefits costs are properly documented

Example: Subrecipient Monitoring

Cost Principles – Payment for Service

Standard: When paying by unit of service, the cost of the unit cannot exceed the actual cost of providing the service

Documents to review

- Unit cost methodology for subrecipient's budget as documentation for projected unit cost
- Subrecipient budgets
- Subrecipient Ryan White Services Report (RSR)
- Subrecipient invoices
- Subrecipient detail General Ledger listing of expenditures

Example: Subrecipient Monitoring

Cost Principles – Payment for Services Continued

Interview Questions

- What unit cost methodology does the subrecipient use as documentation for projected cost?
- Does the subrecipient reconcile actual cost of the service to the unit cost?

Desired Outcomes

- Subrecipient unit cost calculations are available for recipient review
- Allowability, allocability and reasonableness is properly documented

Questions

