

Clarifications Regarding the Ryan White HIV/AIDS Program and Program Income

Policy Clarification Notice (PCN) #15-03

Relates to Policy #15-04

Scope of Coverage

Ryan White HIV/AIDS Program (RWHAP) Parts A, B, C, D, and Part F where grants and cooperative agreements support HIV care and treatment services, training, special projects, and related activities that generate program income.

Purpose of PCN

This notice articulates Health Resources and Services Administration (HRSA)/HIV/AIDS Bureau (HAB) policy regarding program income generated and received as a result of the receipt of a RWHAP award. It provides a definition of program income and guidance regarding its use and reporting requirements.

Background

In the context of the RWHAP, program income is most commonly generated by recipients and subrecipients as a result of charging for services and receiving payment from third-party reimbursement. As the Affordable Care Act implementation continues, recipients and subrecipients may generate higher levels of program income. HAB provides this policy clarification notice regarding the use and reporting of program income as it relates to funds awarded through the RWHAP.

Definitions

Program Income: 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 except as

provided on 45 CFR § 75.307(f). Program income includes but is not limited to income from fees for services performed, the use or rental of [sic.] real or personal property acquired under Federal awards, the sale of commodities or items fabricated under a Federal award, license fees and royalties on patents and copyrights, and principal and interest on loans made with Federal award funds. Interest earned on advances of Federal funds is not program income. Except as otherwise provided in Federal statutes, regulation, or the terms and conditions of the Federal award, **program income does not include rebates, credits, discounts, and interest earned on any of them.**¹

Rebate: a return of a part of a payment.

Refund: an amount of money that is given back to someone who has returned a product, paid too much, etc.

Instructions

Use of Program Income

HAB is authorized to consider how program income is to be used and is authorized to make a distinction between income earned by the recipient and income earned by subrecipients.² HAB has determined that for RWHAP recipients and subrecipients, the use of program income will be “additive” (as documented in the Notice of Award.³ RWHAP Part B recipients may also use non-Federal program income to meet matching requirements.⁴

Under the “additive” alternative, 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.

- For Parts A, B, and C, allowable costs are limited to core medical and support services, clinical quality management, and administrative expenses (including planning and evaluation) as part of a comprehensive system of care for low-income individuals living with HIV.⁵

¹ 45 CFR § 75.2 (emphasis added).

² 45 CFR § 75.307(e).

³ 45 CFR § 75.307(e)(2).

⁴ 45 CFR § 75.307(e)(3). See also section 2617(d)(2)(A) of the Public Health Service (PHS) Act.

⁵ Sections 2604(a)(2), 2612(a), and 2651(b)(1) of the PHS Act.

- For Part D, allowable costs are limited to family-centered care involving outpatient or ambulatory care, support services, clinical quality management, and administrative expenses for low-income women, infants, children, and youth affected by or living with HIV.⁶
- For Part F, allowable costs are limited according to the appropriate statutory provision.⁷
- Program income may be utilized for elements of the program that are otherwise limited by statutory provisions, such as administrative and clinical quality management activities that might exceed statutory caps, or unique services that are needed to maintain a comprehensive program approach but that would still be considered allowable under the award.

Under the uniform administrative requirements, 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.⁸

- 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.
- The statutory exemption from Unobligated Balance (UOB) penalties for Part B recipients that expend rebate dollars before requesting additional grant RWHAP funds does not extend to UOBs accrued as a result of expending program income.⁹

Documentation and Reporting of Program Income

Recipients are required to track and account for all program income in accordance with 45 CFR § 75.302(b)(3). Recipients must report program income on their Federal Financial Report (FFRs).¹⁰

⁶ Sections 2671(a), (b), and (f) of the PHS Act.

⁷ Sections 2691-2693 of the PHS Act.

⁸ 45 CFR § 75.305(b)(5).

⁹ For additional information on Rebates, see PCN 15-04.

¹⁰ See FFR screenshot:

Program Income:	
I. Total Federal share of program income earned	
m. Program income expended in accordance with the deduction alternative	
n. Program income expended in accordance with the addition alternative	
o. Unexpended program income (line I minus line m or line n)	

Additionally, it is the responsibility of the recipient to monitor and track program income earned by subrecipients. 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.

Documentation of program income and accounting for its receipt and utilization will be consistent across Parts, to the extent possible.

- a. Parts A and B have a legislatively mandated one-year period of performance and are non-discretionary grants to be awarded each fiscal year.
 - i. For Parts A and B, program income for a service provided within one period of performance may be received in the following period.
 - ii. Such program income should be accounted for and utilized in the year in which it is received by the program,¹¹ as the services funded are identical and it is burdensome to revise final FFRs, particularly after a new award has already been issued.
 - iii. Program income received at the end of the period of performance will be expended by the recipient prior to the expenditure of new grant RWHAP funds awarded in the subsequent period.
- b. Parts C, D, and F are discretionary awards and have multi-year periods of performance.
 - i. Parts C, D, and F recipients must account for program income and its use within their multi-year period of performance.
 - ii. In the final year of funding, program income received at the end of the period of performance will be expended prior to new grant RWHAP funds awarded in the next competitive cycle, so long as the recipient receives such subsequent award.

¹¹ **Insurance refunds** must be credited against insurance costs in the year the refund is received pursuant to 45 CFR § 75.447(e).