

# Health Resources and Services Administration HIV/AIDS Bureau

## Policy Clarification Notices

**15-03: Clarification Regarding the  
RWHAP and Program Income and**

**15-04: Utilization of Pharmaceutical  
Rebates**

**December 2, 2015**

# Learning Objectives

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By the end of this webcast, Ryan White HIV/AIDS Program (RWHAP) recipients will be prepared to:

- Describe the intent and requirements of Policy Clarification Notices (PCNs) 15-03 and 15-04
- Explain how these policies may affect your program or that of subrecipients
- Identify resources to obtain additional information

# Definitions

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Both PCNs define key terms:

- Rebate – a return of a part of a payment
- Program income – gross income earned that is generated by activity(ies) supported by a Federal award
- Refund – amount of money given back to someone who has returned a product or paid too much

# Policy Clarification Notice 15-03

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

# PCN 15-03: Program Income

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This PCN clarifies policy regarding program income generated and received as a result of a RWHAP award.

- Recipient and subrecipient program income is generated by service charges and third-party reimbursement payments
- Given the increased number of RWHAP clients with health insurance, recipients and subrecipients may generate increased program income as the implementation of the Affordable Care Act continues

# PCN 15-03: Acceptable Uses of Program Income – “Additive Alternative”

- Use of Program Income under the RWHAP is considered “additive”
- All RWHAP Parts covered can use income **for the following and are not subject to the legislative distribution requirements or caps (e.g., 10% Administrative cap, etc.) in order to support a comprehensive system of care for low-income people living with HIV (PLWH):**
  - Unique services to maintain a comprehensive program approach allowable under award
  - Administrative expenses, including planning and evaluation
  - CQM and Support Services
- RWHAP Parts A, B, C:
  - Core Medical Services
- RWHAP Part B – non-Federal funds can be used to meet Federal matching requirements
- RWHAP Part D:
  - Outpatient family-centered care
- RWHAP Part F:
  - Limited to statutory provisions

# PCN 15-03: Expenditure of Program Income

RWHAP recipients and subrecipients must:

- Disburse all program income before requesting additional cash payments
- Estimate accrued program income and determine RWHAP funds that will be needed during current performance period

Also....

- The statutory exemption from unobligated balance (UOB) penalties for RWHAP 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

# PCN 15-03: Documentation and Reporting for All RWHAP Parts

- All RWHAP recipients must:
  - Track and account for all program income
  - Report program income on the Federal Financial Report (FFR).
- RWHAP recipients do not report program income generated by subrecipients on the FFR

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

# Sample FFR Section with Program Income

<b>Federal Expenditure and Unobligated Balance (Use lines d-o for single grant reporting)</b>			
<b>d. Total Federal Funds Authorized</b>	\$0.00	\$0.00	\$4,430,255.00
<b>e. Federal Share of Expenditures</b>	\$0.00	\$4,380,692.07	\$4,380,692.07
<b>f. Federal Share of Unliquidated Obligations</b>	\$0.00	\$0.00	\$0.00
<b>g. Total Federal Share (sum of lines e and f)</b>	\$0.00	\$0.00	\$4,380,692.07
<b>h. Unobligated balance of Federal Funds (line d minus g)</b>	\$0.00	\$0.00	\$49,562.93
<b>Recipient Share</b>			
<b>i. Total recipient share required</b>	\$0.00	\$0.00	\$0.00
<b>j. Recipient share of expenditure</b>	\$0.00	\$0.00	\$0.00
<b>k. Remaining recipient share to be provided (line i minus j)</b>	\$0.00	\$0.00	\$0.00
<b>Program Income</b>			
<b>l. Total Federal Program Income earned</b>	\$0.00	\$0.00	\$48,790.03
<b>m. Program income expended in accordance with the deduction alternative</b>	\$0.00	\$0.00	\$0.00
<b>n. Program income expended in accordance with the addition alternative</b>	\$0.00	\$0.00	\$48,790.03
<b>o. Unexpended program income (line l minus line m or line n)</b>	\$0.00	\$0.00	\$0.00

# PCN 15-03: Documentation and Reporting – RWHAP Parts A and B

- RWHAP Parts A and B have a one-year period of performance. They are non-discretionary grants to be awarded each fiscal year.
- Program income for a service provided within one period of performance may be received in the following period. Program income should be accounted for and used in the year that it is received by the program.
- If program income is received at the end of the period of performance, it must be expended by the recipient prior to the expenditure of new grant RWHAP funds awarded in the subsequent period.

# PCN 15-03: Documentation and Reporting – RWHAP Parts C, D, and F

- RWHAP Parts C, D and F are discretionary awards and have multi-year periods of performance.
- RWHAP recipients must account for program income and its use within the multi-year period of performance.
- In the final year of funding, program income received at the end of the period of performance must be expended prior to RWHAP funds awarded in the next competitive cycle, if the RWHAP recipient receives an award.

# Policy Clarification Notice 15-04

## Utilization and Reporting of Pharmaceutical Rebates

# PCN 15-04: Rebates

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This PCN clarifies Health Resources and Services Administration (HRSA) guidelines for the utilization and reporting of pharmaceutical rebates by AIDS Drug Assistance Programs (ADAPs) and the effect of other program provisions on these rebates.

It only applies to RWHAP Part B ADAP recipients that collect drug manufacturer rebates on ADAP medication purchases and it outlines requirements for the utilization and reporting of rebates.

# 15-04: Acceptable Uses of ADAP Rebates

- Rebates must be applied to the RWHAP Part B – priority should be given, but is not required, to placing rebates back into ADAP.
- Rebates may be used for allowable services not included in the RWHAP Part B implementation plan.
- Rebates are not a part of the RWHAP Part B award are **NOT** subject to the 10% administrative cap or the 75/25 core services requirement.
- Rebates can be used to meet both a state's match requirements **AND** the maintenance of effort.

# 15-04: Unacceptable Use of Rebates

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ADAP rebates cannot be used for services and costs that are not allowed by RWHAP Part B (e.g., PrEP) and cannot be shared with other entities, including:

- RWHAP Part A recipients
- Medicaid
- Any other state or Federal program
- Marketplace insurance plans

# 15-04: Expenditure of Rebates

- Rebates are subject to the same regulations for expenditure of Federal award funds and must be disbursed before requesting additional RWHAP Part B funds. Rebate projections should be incorporated into the jurisdiction's planning for services for effective allocation of RWHAP funds during the project period.
- If rebates are received after the project period in which medications were purchased, they are to be accounted for and used in the year in which the rebate is received.
- Rebates received at the end of a period of performance are to be expended before expending RWHAP funds awarded in the subsequent period.

# 15-04: Reporting Rebates on Federal Financial Report

## Federal Financial Report –

- Rebates should be reported on the FFR in the HRSA Electronic Handbooks (EHBs) as follows:
  - In the “Ryan White Rebate Funding” section, recipients report the expended rebate amount AND the expended rebate amount to be used to reduce UOB.
  - RWHAP recipients should report in the “Record Remarks” section:
    - A Rebate Account Summary (total rebate revenues, total rebate expenditures, and remaining rebate funds)
    - If relevant, state, “We are requesting that \$\_\_\_\_ of the unobligated balance be reduced by \$\_\_\_\_ of the obligated rebates and that such amount be carried forward to the next budget year.”

*Rebates must not be recorded as a UOB or as a cash disbursement on the FFR*

# 15-04: Reporting Rebates on FFR, Cont'd.

## Example of Rebate Reporting on an FFR:

<b>Unobligated Balance (UOB) of Federal Funds by Subprogram</b>			
Category	Federal Funds Authorized	Unexpended Carryover	Current Year (FY 2014)
Part B Base	\$6,221,227.00	\$0.00	\$0.00
Part B ADAP	\$16,057,388.00	\$0.00	\$6,103,627.00
Part B Emerging Communities	\$0.00	N/A	\$0.00
Part B MAI	\$229,352.00	\$0.00	\$0.00
Part B ADAP Supplemental	\$1,282,605.00	N/A	\$0.00
Part A Transfer	\$0.00	\$0.00	\$0.00
<b>Ryan White Rebate Funding</b>			
Expended Rebate Amount	\$18,038,252.00		
Expended Rebate Amount to be used to Reduce UOB	\$6,103,627.00		

# 15-04: Reporting Rebates on ADAP Data Report

## ADAP Data Report (ADR)

The amount of rebates received during the reporting period and allocated to ADAP is reported on the ADR in both the “Funding” section of the Grantee Report and in the expenditures reported.

★ Required

All items in the Grantee Report should be reported for the most recent grant year. Please re

**C. FUNDING**

★ 5. Please enter the funding received during this reporting period from each of the

**Funding Source**

- a. Total contributions from Part A EMA(s)/TGAs
- b. Total contributions from Part B Base Funding
- c. Total contributions from Part B Supplemental Funding
- d. Total contributions from ADAP Emergency Relief Funding
- e. Total contributions from Part C/D grantees
- f. State general fund contributions
- g. Carry-over of Ryan White funds from previous year
- h. Manufacturer Rebate
- i. All Insurance Reimbursements, excluding Medicaid
- j. Medicaid Reimbursements

Resources received this reporting period (Total of a through j)

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*Since rebates are not part of the RWHAP Part B award, they are NOT included in the RWHAP Part B Program Term Report, the Planned Allocations Report, or Final Expenditure Report.*

# 15-04: Unobligated Balances

- RWHAP statute expects states to obligate all award funds prior to the end of the project period (PCN 12-02).
- RWHAP Part B recipients with ADAPs receiving rebates have a specific exemption from the UOB penalties – exemption applies when the RWHAP Part B recipient is unable to expend all of its grant funds because it spent rebates first.
  - If the RWHAP Part B recipient will incur a penalty, it may request its UOB be reduced by the amount of obligated rebates.
  - That amount can be carried forward to the next budget period.
- RWHAP Part B recipients that do NOT properly report rebates AND have a UOB of 5% or greater will be subject to the full penalty (PCN 12-02).

# Conclusions

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- FAQ documents will be available at:  
<http://hab.hrsa.gov/manageyourgrant/policiesletters.html>
- Speak with your assigned RWHAP Project Officer if you have questions specific to your situation.

# Questions

**For additional questions, please email:  
[RWP-ACAQuestions@hrsa.gov](mailto:RWP-ACAQuestions@hrsa.gov)**

**Thank You to:**

**Steven R. Young, Director DMHAP  
and**

**Glenn A. Clark, ADAP Advisor**