HRSA Healthy Grants WORKSHOP
Presented as a Web Series

HRSA
Health Resources & Services Administration

Program Income and Your Grant

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Vision: Healthy Communities, Healthy People

Agenda

- Welcome and Introductions
- Learning Objectives
- Defining Program Income
- Generating Program Income
- Utilizing Program Income
- Allocating Program Income in Your Budget
- Tracking, Reporting, and Monitoring Program Income
- Key Takeaways
- Resources
- Q&A

Learning Objectives

At the conclusion of this session, participants will be able to:

- Define program income
- Identify sources of program income
- Distinguish between what is and is not program income
- Recognize the importance of proper accounting, monitoring, and reporting of program income

Defining Program Income

What is program income?

What is NOT program income?

Defining Program Income

Regulation Definitions

Program income (2 CFR 200.1) is revenue generated from federally funded activities or assets during the grant period.

HHS Grants Policy Statement, Chapter 2.3.4.10: Program income is money a recipient earns that is both:

- Earned during the period of performance
- Earned directly from an activity funded by the award or due to the award

HHS Grants Policy Statement, Chapter 3.2.11: Program income is gross income earned by an award recipient, subrecipient, or contractor and directly generated by an award-supported activity or earned because of the award.

* The 340B Drug Pricing Program also generates program income.

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Defining Program Income

Program Income Does NOT Include

- Interest accrued on advances of Federal funds does not qualify as program income.

- Rebates, credits, discounts, and associated interest are generally excluded from program income unless Federal regulations or award terms explicitly state otherwise.

Defining Program Income

Pop Quiz #1

Which of the following is *not* program income?

a. Fees for service

b. Interest earned on advances of federal funds

c. Insurance payments

d. Medicaid reimbursements

Generating Program Income

Sources of Program Income

Health Center Program: Statute

Generating Program Income

Common Sources of Program Income

- **Charges** imposed on clients for HIV services as required by RWHAP Parts A, B, and C legislation;

- **Fees, payments, or reimbursement** for the provision of a specific service;
  - Such as patient care reimbursements received by billing public or private health insurance

- **Purchasing drugs at a discounted price** through the 340B Program and charging third-party payors for the full price
  - (Third Party Reimbursement) – (340B Purchase Price) = **Program Income**

Generating Program Income

Source of Program Income 1

Source of Program Income:

1) Fees, payments, or reimbursement for the provision of a specific service, such as:
   - Patient care reimbursements received by billing public (Medicare, Medicaid, or Children's Health Insurance Program) or private health insurance, and

Payor of Last Resort – Once a client is eligible to receive RWHAP services, the RWHAP is considered the payor of last resort, and as such, funds may not be used for any item or service "to the extent that payment has been made, or can reasonably be expected to be made under . . . any State compensation program, under an insurance policy, or under any Federal or State health benefits program. . . , or by an entity that provides health services on a pre-paid basis."

Sections 2605(a)(6), 2617(b)(7)(F), 2664(f)(1) of the Public Health Service (PHS) Act. See also 2671(i) of the PHS Act.

Generating Program Income

Source of Program Income 2

Source of Program Income:

2) Charges imposed on clients for services, as required by RWHAP Parts A, B, and C legislation

Imposition of Charges: Imposition of charges is a term used to describe all activities, policies, and procedures related to assessing RWHAP patient charges as outlined by legislation.

RWHAP Parts A, B, and C clients with **individual annual gross incomes above** the federal poverty level (**FPL) must be charged for billable services.**

Generating Program Income

Source of Program Income 3

Source of Program Income:

3) Purchasing drugs at a discounted price through the 340B Program and charging third-party payors for the full price

Third party reimbursement
- 340B purchase price
= Program income

340B Program: **The 340B Program enables covered entities to stretch scarce federal resources** as far as possible, reaching more eligible patients and providing more comprehensive services.

Manufacturers participating in Medicaid agree to provide outpatient drugs to covered entities at significantly reduced prices.

Eligible health care organizations/covered entities are defined in statute and include HRSA-supported health centers and look-alikes, Ryan White clinics and State AIDS Drug Assistance programs, Medicare/Medicaid Disproportionate Share Hospitals, children's hospitals, and other safety net providers.

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Utilizing Program Income

Use Defined
Lesson from the Field
Addition Alternative
Allowable Uses of Program Income
Health Center Program: Example Scenario
Health Center Program: Demonstrating Compliance

Utilizing Program Income

Use Defined

- **Use program income first**
  - to the extent possible, recipient and subrecipient **must disburse funds available from program income**, rebates, refunds, contract settlements, audit recoveries, and interest earned on such funds before requesting additional cash payments

- Program income should be accounted for and used in the budget period that it is received by the recipient
  - If received at the end of the budget period or period of performance, program income can be used in the next budget period, as long as the recipient receives another award

(2 CFR 200.307)

Utilizing Program Income

Lesson from the Field

Lack of compliance with requirement to expend program income prior to drawing down grant funds.

Brian Fitzsimmons

RWHAP Part C & D Senior Advisor

Utilizing Program Income

Additive Alternative

Per the Notice of Award (NoA), HRSA HAB specified that for recipients and subrecipients, the alternative and allowable use of program income is the ADDITIVE ALTERNATIVE.

Alternative	Use of program income
Additive	Added to funds committed to the project or program and used to further eligible project or program objectives
Deductive	Deducted from total allowable costs of the project or program to determine the net allowable costs on which the Federal share of costs will be based
Combination	Uses all program income up to (and including) $25,000 as specified under the additive alternative and any amount of program income exceeding $25,000 under the deductive alternative
Matching	Used to satisfy all or part of the non-Federal share of a project or program

*RWHAP Part B recipients may use program income to meet matching requirements.

Utilizing Program Income

Allowable Uses of Program Income

	Parts A, B, C	Part D	Part F	Ending the HIV Epidemic (EHE)
Allowable Uses	• Core medical services • Administrative expenses, including planning and evaluation • Clinical quality management activities • Support services	• Outpatient or ambulatory care • Support services • Administrative expenses • Clinical quality management activities	• Limited to statutory provisions.	• Core medical services • Administrative expenses, including planning and evaluation • Clinical quality management activities • Support services • Initiative Services and Infrastructure

Unallowable Uses:

Program income cannot be use for unallowable costs, such as construction, clinical research, international travel, cash payments to clients, PrEP medications, etc.

Salary expenses in excess of the Executive Level II are unallowable costs.

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Utilizing Program Income

Health Center Program: Statute

Section 330(e)(5)(D) of the Public Health Service Act (PHSA) (42 U.S.C. § 254b)

(D) Use of nongrant funds

Nongrant funds described in clauses (i) ***[State, local, and other operational funding provided to the center]*** and (ii) ***[the fees, premiums, and third-party reimbursements, which the center may reasonably be expected to receive for its operations in such fiscal year]*** of subparagraph (A), including any such funds in excess of those originally expected, shall be used as permitted under this section, and may be used for such other purposes as are not specifically prohibited under this section if such use furthers the objectives of the project.

Utilizing Program Income

Health Center Program: Notice of Award Term: Total Budget

"Your total budget includes Health Center Program Federal award funds and all other sources of revenue in support of your health center's scope of project. The non-federal share of the project budget includes all program income sources such as fees, premiums, third party reimbursements, and payments that are generated from the delivery of services. The non-federal share also includes other revenue sources such as state, local, or other federal awards or contracts and income from fundraising, donations, and contributions (non-grant funds)."

Utilizing Program Income

Health Center Program: Notice of Award Term: Non-grant Funds

"The description of “Authorized Treatment of Program Income” under the “Addition” alternative, as cited elsewhere in this Notice of Award (NoA), is superseded by the requirements in Section 330(e)(5)(D) of the Public Health Service (PHS) Act relating to the use of non-grant funds. Under this statutory provision, health centers shall use non-grant funds, including funds in excess of those originally expected, “as permitted under section 330,” and may use such funds “for such purposes as are not specifically prohibited under section 330 if such use furthers the objectives of the project.”

Under 2 CFR part 200.331(a), subrecipients (entities that receive a subaward from a pass-through entity for the purpose of carrying out a portion of a Federal award received by the pass-through entity) are responsible for adherence to applicable Federal program requirements specified in the Federal award, including those that apply to non-grant funds."

Utilizing Program Income

Health Center Program: Demonstrating Compliance

- Scope of project and financial management requirement:
  - Program income necessary to support activities within the approved scope of project must be managed in accordance with applicable federal requirements
  - "Excess" program income must further the objectives of the project by benefiting the patient population
- Health centers must:
  - Maintain financial oversight and internal controls
  - Document and use any non-grant funds as permitted under section 330
  - Use grant-related funds and program income to support the approved scope of project

Utilizing Program Income

Health Center Program: Example Scenario

An organization with a Health Center Program grant (H80) runs a daycare center

- This daycare center is not included in the organization's Health Center Program scope of project.
- The costs of this daycare center should not be supported by section 330 funds, nor any other grant-related program income.
- Revenue generated by the day care center:
  - ✓Should be sufficient to support direct costs of the activity, plus a reasonable share of overhead.

Utilizing Program Income

Pop Quiz #2

Which method is used to apply program income?

a. The addition alternative

b. The deduction alternative

c. Matching

d. All the above

Tracking, Reporting, and Monitoring Program Income

Maximizing Program Income
Allocation Methodology
Program Income Records
Documenting Program Income
Addition Alternative on the FFR
Compliance Considerations

Tracking, Reporting, Monitoring Program Income

Maximizing Program Income

- Strive to proactively secure and estimate the extent to which program income will be accrued to effectively determine the need for RWHAP funds and their allocation and utilization during the current period of performance.

- Develop a reasonable and transparent process for budgeting and expending federal funds and related program income.

- Ensure spending is in line with program requirements, program reporting, and fiscal requirements.

Tracking, Reporting, Monitoring Program Income

Program Income Records

- Must contain information pertaining to federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation;

- Should maintain the same documentation kept for other income and expenditures under the award; and

- Retain for three years after the date the final FFR was submitted to HRSA.

Tracking, Reporting, Monitoring Program Income

Documenting Program Income

Where is Program Income Documented?

- Incorporated in the program budget
- Reported in the Federal Financial Report (FFR)
- Included in Annual Reports
- Contained in the Single Audit

HRSA HAB expects program income projections to be incorporated into the recipient's planning for services based on the comprehensive HIV care and treatment needs of the recipient's service area.

Tracking, Reporting, Monitoring Program Income

Pop Quiz #3

Program income earned by subrecipients should be reported on the FFR.

True or False?

Tracking, Reporting, Monitoring Program Income

Addition Alternative – Grant Funds Used First

10. **Transactions**	Cumulative
(Use lines a-c for single or multiple grant reporting)	
Federal Cash (To report multiple grants, also use FFR attachment):	
a. Cash Receipts	0.00
b. Cash Disbursements	0.00
c. Cash on Hand (line a minus b)	0.00
(Use lines d-o for single grant reporting)	
Federal Expenditures and Unobligated Balance:	
d. Total Federal funds authorized	1,000,000.00
e. Federal share of expenditures	1,000,000.00
f. Federal share of unliquidated obligations	0.00
g. Total Federal share (sum of lines e and f)	1,000,000.00
h. Unobligated balance of Federal Funds (line d minus g)	0.00
Recipient Share:	
i. Total recipient share required	0.00
j. Recipient share of expenditures	0.00
k. Remaining recipient share to be provided (line i minus j)	0.00
Program Income:	
l. Total Federal program income earned	2,000,000.00
m. Program Income expended in accordance with the deduction alternative	0.00
n. Program Income expended in accordance with the addition alternative	1,500,000.00
o. Unexpended program income (line l minus line m and line n)	500,000.00

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Tracking, Reporting, Monitoring Program Income

Addition Alternative – Grant Funds Used Last

10. **Transactions**	Cumulative
(Use lines a-c for single or multiple grant reporting)	
Federal Cash (To report multiple grants, also use FFR attachment):	
a. Cash Receipts	0.00
b. Cash Disbursements	0.00
c. Cash on Hand (line a minus b)	0.00
(Use lines d-o for single grant reporting)	
Federal Expenditures and Unobligated Balance:	
d. Total Federal funds authorized	1,000,000.00
e. Federal share of expenditures	0.00
f. Federal share of unliquidated obligations	0.00
g. Total Federal share (sum of lines e and f)	0.00
h. Unobligated balance of Federal Funds (line d minus g)	1,000,000.00
Recipient Share:	
i. Total recipient share required	0.00
j. Recipient share of expenditures	0.00
k. Remaining recipient share to be provided (line i minus j)	0.00
Program Income:	
l. Total Federal program income earned	2,000,000.00
m. Program Income expended in accordance with the deduction alternative	0.00
n. Program Income expended in accordance with the addition alternative	1,500,000.00
o. Unexpended program income (line l minus line m and line n)	500,000.00

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Tracking, Reporting, Monitoring Program Income

Pop Quiz #4

Where should program income be documented?

a. In the budget

b. On the FFR

c. In reporting requirements

d. All the above

Tracking, Reporting, Monitoring Program Income

Compliance Considerations

Recipients and subrecipients should:

- **Track and document all program income separately**
- **Use program income according to Federal award requirements**
- **Review award terms for specific instructions on:**
  - **Allowable use**
  - **Reporting requirements**
  - **Deduction, addition, or cost-sharing methods under 2 CFR 200.307**

Key Takeaways

Key Takeaways

Program Income Defined

Program income refers to the gross revenue generated directly from activities supported by a Federal award during the designated performance period.

Typical examples include:

- **Service charges**
- **Rental earnings from federally funded assets**
- **Sales of goods or commodities**
- **Royalties and licensing fees**
- **Principal and interest on loans funded by Federal award dollars**

Interest accrued on advances of Federal funds does not qualify as program income.

Key Takeaways

Program Income Classified

Rebates, credits, discounts, and associated interest are generally excluded from program income unless Federal regulations or award terms explicitly state otherwise.

Accurate identification and classification of program income are critical for:

- **Compliance with Federal grant requirements**
- **Precise financial reporting**
- **Efficient grant administration**

Federal laws, regulations, and award provisions may include specific rules or exceptions concerning the management and utilization of program income.

Key Takeaways

Program Income Documented

Both recipients and subrecipients are accountable for maintaining thorough documentation and accounting records to substantiate program income determinations.

HRSA expects health centers to maintain strong financial systems, consistent billing practices, effective internal controls, and complete documentation to ensure program income is properly managed and supports the approved scope of project.

Program income must be tracked and reported.

Resources

- **2 Code of Federal Regulations (CFR) 200 and 300**
  - 2 CFR § 200.1; 2 CFR § 200.305(b)(5); 2 CFR § 200.307;
  - 2 CFR § 300.218(c); 2 CFR § 300.219(b)(1)
- **HHS Grants Policy Statement (GPS)**
  - Chapter 2.3.4.10
  - Chapter 3.2.11

- **Health Center Program**
  - **Statute:** 42 USC 254b: Health centers
  - PIN 2008-01, Defining Scope of Project and Policy for Requesting Changes
  - Health Center Program Compliance Manual Chapter 15: Financial Management and Accounting Systems

Questions & Answers

If we cannot answer your question, we will take your contact information and award number and get back to you.

Thank You!

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