Treatment of Costs under the 10% Administrative Cap for Ryan White HIV/AIDS Program Parts A, B, C, and D

Policy Clarification Notice (PCN) #15-01 (updated 09/01/2020, Grant Policy Update 09/15/2025) Replaces Policy Notice 11-04 Supersedes July 17, 2012 Dear RWHAP Part A and Part B Colleagues letter regarding rent as an administrative cost

Scope of Coverage Ryan White HIV/AIDS Program (RWHAP) Parts A, B, C, and D.

Purpose of PCN

This PCN revises and clarifies the Health Resources and Services Administration's (HRSA) guidelines for the treatment of costs under the statutory 10% administrative cap for RWHAP Parts A, B, C, and D.

Background

Parts A – D of Title XXVI of the Public Health Service (PHS) Act include a cap that limits the recipient costs of administering the award to 10%.[1] With a rapidly changing healthcare environment, increasing requirements for oversight of subrecipients (including contractors performing programmatic activities), and required coordination across other federal, state, and local funding streams, RWHAP recipients have new and additional administrative costs. These additional activities coupled with current policies have resulted in unreimbursed administrative costs for RWHAP recipients and less flexibility in the use of HRSA funds to administer their grant(s). In an effort to provide increased flexibility for recipients, within the boundaries of the statute, the HRSA's HIV/AIDS Bureau (HAB) has re-examined the classification of costs subject to the 10% administrative cost cap.

It is important to note that the additional flexibility with regard to administrative costs will better enable recipients and subrecipients to provide core medical and support services to eligible clients while ensuring that the RWHAP is the payer of last resort.

[1] See §§ 2604(h)(1), 2604(h)(2), 2618(b)(3)(A), 2618(b)(3)(B), 2664(g)(3), and 2671(f)(1) of the PHS Act.

Instructions

Treatment of "Rent" and Other Facilities Costs Incurred to Provide Core Medical and Support Services to Eligible RWHAP Clients

RWHAP Parts A, B, and C Recipients

The portion of indirect and/or direct facilities expenses such as rent, maintenance, and utilities for areas primarily utilized to provide core medical and support services for eligible RWHAP clients (e.g., clinic, pharmacy, food bank, substance abuse treatment facilities) are not required to be included in the 10% administrative cost cap. [See 2 CFR §§ 200.412 – 414, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and 2 CFR §§ 300.414 for information regarding the classification of costs as direct or indirect.]

RWHAP Parts A and B Subrecipients and Part D Recipients

The portion of direct facilities expenses such as rent, maintenance, and utilities for areas primarily utilized to provide core medical and support services for eligible RWHAP clients (e.g., clinic, pharmacy, food bank, substance abuse treatment facilities) are not required to be included in the 10% administrative cost cap. Note: by legislation, all indirect expenses must be considered administrative expenses subject to the 10% cap.[2]

Clarifications

Allocable Costs

For all recipients and subrecipients funded by RWHAP Parts A, B, C, or D, the following programmatic costs are not required to be included in the 10% limit on administrative costs; they may be charged to the relevant service category, as described in HRSA HAB PCN 16-02 Ryan White HIV/AIDS Program Services: Eligible Individuals and Allowable Uses of Funds, directly associated with such activities:

- Biannual RWHAP client re-certification;
- The portion of malpractice insurance related to RWHAP clinical care;
- The portion of fees and services for electronic medical records maintenance, technology licensure, and annual updates, and staff time for data entry related to RWHAP clinical care and support services;
- The portion of the clinic receptionist's time providing direct RWHAP patient services (e.g., scheduling appointments and other intake activities);
- The portion of medical waste removal and linen services related to the provision of RWHAP services;
- The portion of medical billing staff related to RWHAP services;
- The portion of a supervisor's time devoted to providing professional oversight

[2] See §§ 2604(h)(4)(A), 2618(b)(3)(D)(i), and 2671(h)(1) of the PHS Act.

and direction regarding RWHAP-funded core medical or support service activities, sufficient to assure the delivery of appropriate and high-quality HIV care, to clinicians, case managers, and other individuals providing services to RWHAP clients (would not include general administrative supervision of these individuals); and
- RWHAP clinical quality management (CQM).[3] However, expenses which are clearly administrative in nature cannot be included as CQM costs.

For Parts A, B, and C recipients—associated indirect costs may also be charged to the relevant service category.

Non-allocable Costs

For all recipients funded by RWHAP Parts A, B, C, or D, costs subject to the 10% administrative cap include, but are not limited to:

- Routine grant administration and monitoring activities, including the development of applications and the receipt and disbursal of program funds;
- Development and establishment of reimbursement and accounting systems;
- Preparation of routine programmatic and financial reports;
- Compliance with grant conditions and audit requirements;
- All activities associated with the recipient's contract award procedures, including the development of requests for proposals, subrecipient and contract proposal review activities, negotiation and awarding of contracts;
- Subrecipient monitoring activities including telephone consultation, written documentation, and onsite visits;
- Reporting on contracts, and funding reallocation activities; and
- Related payroll, audit and general legal services.

For Part A recipients, the cost of all activities carried out by the HIV health services planning councils and planning bodies would count toward the 10% administrative cap.[4]

For Part C recipients, planning and evaluation costs are subject to the 10% administrative cap.

All indirect costs charged by Part D recipients are considered an administrative expense subject to the 10% limit.[5]

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[3] See §§ 2604(h)(5)(B)(ii), 2618(b)(3)(E)(ii)(II), and 2664(g)(3) of the PHS Act, which indicate that although CQM is considered an administrative cost, expenses for this activity do not count towards the administrative cost cap. Similarly, § 2671(h)(3)(B) of the PHS Act defines as "services" those services that contribute to or help improve primary care and referral services and include CQM.

[4] See §2604(h)(3)(B) of the PHS Act.

[5] See §2671(h)(1) of the PHS Act.

New Clarifications
Staff training necessary to provide high quality RWHAP services may be charged to the appropriate service category. These costs include training registration, maintenance of licensure and/or credentials, and individual membership dues. Service-specific funds used for this purpose should be carefully monitored by the RWHAP recipient and should not exceed 5% of the dollars allocated to provide the service. Organizational membership dues cannot be attributed to a service category, and are therefore administrative costs subject to the 10% cap.

Applicability to Subrecipients

RWHAP Parts A and B Subrecipients[6]
RWHAP Part A and B recipients must ensure that the aggregate total of subrecipient administrative expenditures does not exceed 10% of the aggregate total of funds awarded to subrecipients. Subrecipient administrative expenses may be individually set and may vary; however, the aggregate total of subrecipients' administrative costs may not exceed the 10% limit. Subrecipient administrative activities include[7]

- usual and recognized overhead activities, **including established indirect rates** for agencies;
- management oversight of specific programs funded under the RWHAP; and
- other types of program support such as quality assurance, quality control, and related activities (exclusive of RWHAP CQM).

As a reminder: all indirect costs charged by the subrecipient are considered an administrative cost subject to the 10% aggregate limit.

RWHAP Parts C and D Subrecipients
The 10% limit on administrative costs does not apply to subrecipients under Parts C and D. RWHAP Parts C and D recipients are responsible for ensuring that subrecipient administrative costs are allowable, reasonable, and allocable to the RWHAP. [See 2 CFR §§ 200.403 – 405, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards for information regarding basic cost considerations.]

Recipient Management and Oversight Functions

RWHAP Parts A, B, C, and D recipients are responsible for establishing and maintaining written procedures for allocating and tracking funds applicable to the 10% administrative cost cap in compliance with RWHAP authorizing legislation and the requirements included in 2 CFR part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

If a RWHAP Part A or B recipient has contracted with an entity to provide statewide

[6] See §§ 2604(h)(2) and 2618(b)(3)(B) of the PHS Act.
[7] See §§ 2604(h)(4) and 2618(b)(3)(D) of the PHS Act.

or regional RWHAP management and fiscal oversight (i.e., the entity has entered in to a vendor or procurement relationship with the recipient, and is acting on behalf of the recipient), the cost of that contract, exclusive of subawards to providers, would count toward the recipient's 10% administrative cap. Providers that have contracted to provide healthcare services for the lead agency are considered to be first-tier entities (subrecipients) of the recipient and are subject to the aggregate 10% administrative cap for subrecipients.

Effective Date

All of the revisions and clarifications provided in this PCN are effective for RWHAP Parts A, B, C, and D awards issued on or after January 1, 2015. This includes competing continuations, new awards, and non-competing continuations issued on or after January 1, 2015. This PCN does not prevent a recipient from adhering to current practice after the effective date. It is up to the recipient to determine how best to meet the needs of eligible RWHAP clients in compliance with RWHAP authorizing legislation, the requirements set forth in 2 CFR part 200, modifications at 2 CFR part 300, and all terms and conditions of the award.

Recipients may not apply changes outlined in this PCN to costs incurred prior to January 1, 2015. Any findings from comprehensive site visits and/or audits related to administrative cost caps before January 1, 2015 remain in effect and will require resolution as documented.

The contents of this document do not have the force and effect of law and are not meant to bind the public in any way. This document is intended only to provide clarity to the public regarding existing requirements under the law or agency policies.