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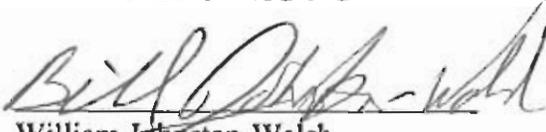
AGING PROGRAM DIRECTIVE

SUBJECT: AREA AGENCY ON AGING PROGRAM INCOME POLICIES

TO:

EXECUTIVE STAFF BUREAU OF PROGRAM INTEGRITY ADMINISTRATION ON AGING AREA AGENCIES ON AGING PA ASSOCIATION OF AREA AGENCIES ON AGING	PA COUNCIL ON AGING BUREAU OF HOME & COMMUNITY BASED SERVICES DPW, OFFICE OF PROGRAM DEVELOPMENT & SUPPORT COMPTROLLER
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FROM:


 William Johnston-Walsh
 Deputy Secretary
 Pennsylvania Department of Aging


 Ivonne Gutiérrez Bucher
 Director
 Office of Community Services & Advocacy
 Pennsylvania Department of Aging

REGULATORY REFERENCES:

45 CFR 92.25 Program Income
 45 CFR 1321.67 Service Contributions

PURPOSE: This Directive establishes a uniform policy and clarifies Administration on Aging (AoA) regulations regarding the receipt, accounting and use of income from programs operated under the auspices of the Department of

Aging through its grants and contracts to Area Agencies on Aging (AAAs).

SECTION I – CONTENT

Background:

Consumers of AAA services have historically been encouraged to participate in the cost of their care by either making contributions to the AAA or being charged a local fee. The first statewide policy on Options Cost Sharing was issued in December 2001.

SECTION II - DEFINITIONS

For the purposes of this Directive, the following definitions apply:

Cost Sharing Revenue – Fees for programs or services provided to consumers who have the ability to pay. The cost sharing/fee scale is based on the consumer’s ability to pay and is mandated by the Department of Aging. This rate is updated annually based on changes in the federal poverty guidelines.

The AAAs may request permission from the Department of Aging to institute additional cost sharing/fees scales. These revenues are accounted for and reported to the Department of Aging as part of Local Program income.

General Revenue – Revenue generated as a result of fund raising efforts which are conducted separate and apart from the operation of a program. General Revenue also includes the following:

1. Contributions received for services which are not funded by the Department of Aging and
2. Charitable contributions (cash and/or goods) received from private or public organizations or from individuals who are not recipients of service nor the families of service recipients

These revenues should be accounted for separately from program income. The revenues are reported to the Department of Aging as Local Cash Contributions, Local In-Kind Contributions or Other Funds.

Means Test – Formal consumer income documentation required for the sole purpose of determining the consumer’s eligibility for a particular service or for determining an appropriate consumer fee for a particular service. Means tests may not be used for any services funded by the federal Older Americans Act.

Program Income – For reporting by the AAAs, the Department of Aging recognizes three types of program income:

1. Federal Program Income

- Cash Contributions received from service recipients or their families which are generated by services funded, in whole or in part, by federal Older Americans Act funds; and
- Interest earned on accumulated federal program income collections. (The Department of Aging will notify AAAs during the contracting process as to what service cost centers contain federal Older Americans Act funding).

2. Local Program Income

- Cash contributions received from consumers or their families for services not funded by the federal Older Americans Act funds;
- Fees charged to consumers that are not mandated by the Department of Aging;
- Interest earned on accumulated cost sharing income and local program income collections;
- Revenue from the sale of products or items produced from materials paid for by Aging Block Grant funds; and
- Revenue from the rental of property or equipment purchased with Aging Block Grant funds.

3. Options Cost Sharing

- Fees collected from consumers that are based on the cost and amount of services received.
- Any remaining balance of Bridge Cost Sharing funds in the AAA's possession at the time the program is terminated must be transferred to Options Cost Sharing resources.

Real Property – Real property consists of real estate, furniture and equipment. Income generated from the sale of real property acquired with grant or contract funds or used to satisfy the cost sharing or matching requirements of such grants or contracts is not considered program income. Income generated in this way is covered under 45 CFR Parts 92.31 and 92.32.

Real property is considered to be owned by the AAA while used in programs financed by grant funds. However, the federal government and the Commonwealth of Pennsylvania have a reversionary interest in the property; its disposition, as well as the ownership of any proceeds therefrom, is subject to federal and state regulations.

Service Provider – An organization contracted by an AAA to provide a specific service for older persons. If the AAA provides a service directly, it is considered to be the provider.

SECTION III – COLLECTION OF PROGRAM INCOME

In accordance with Older Americans Act Regulations (45 CFR Part 1321.67), each service provider must:

1. Provide each older consumer with an opportunity to voluntarily contribute to the cost of the service;
2. Protect the privacy of each older consumer with respect to his or her contributions; and
3. Establish appropriate procedures to safeguard and account for all contributions.

Each AAA should develop a suggested contribution for services provided to older consumers. In developing a contribution schedule, the AAA shall consider the income ranges of older consumers in the community. This schedule should be shared with all consumers who receive federally funded services and with consumers who are not required to contribute to the cost of their services.

Means tests may not be used for any services funded by the federal Older Americans Act. For services with funding under the federal Older Americans Act, the AAA must ensure that no older consumer is denied service because the older consumer will not or cannot make a voluntary contribution to the cost of the service.

SECTION IV – EXPENDITURE OF PROGRAM INCOME

In accordance with 45 CFR Part 92.25 (g) (2) and (3) of the Administration of Grants regulations, there are two methods of applying federal program income funds:

1. **Cost Sharing or Matching Method** – Program income is used for allowable costs of the program. This method allows for the program income to be used in satisfying a cost sharing or matching requirement of a federal or state grant. The program income must be used for current costs, unless the granting agency authorizes deferral to a later period.

2. **Additional Costs Method** – Program income is used for costs which are in addition to the allowable costs of the program. Program income is used to expand services and to further the objectives of the program. Program income may not be used for costs that are specifically unallowable under OMB Circular No. A-87, “Cost Principles for State and Local Governments, “ or OMB Circular No. A-122, “Cost Principles for Nonprofit Organizations”.

The policy adopted by the Department of Aging for the utilization of federal program income by the AAA network is the above-described Additional Costs Method. Under the Additional Costs Method, program income is used to expand the programs and services of the AAA, supplemental to Aging Block Grant funds. The AAAs must use the Additional Costs Method for budgeting, expenditure and reporting of federal program income.

The AAAs may permit service providers to follow either the Cost Sharing Method or the Additional Costs Methods, or a combination of the two alternatives. For example, in the usage of the Cost Sharing Method, the AAA’s contracting procedures might require subcontractors to provide a portion of the total amount of their contracts with funds from local community resources and program income collections. The program income requirements must be specifically identified in the contract between the AAA and the service provider.

Based on the Older Americans Act and the use of the Additional Costs Method by the AAAs, the following guidelines are to be used in the budgeting, expenditure and reporting of federal program income:

1. Program income from services funded, in whole or in part, by federal Older Americans Act funds must be reported as Federal Program Income and must be used in accordance with Section 1321.67 Service Contributions. This section specifies that contributions must be used to expand supportive services and nutrition services.
2. Local Program Income may be budgeted and expended in any consumer service cost center. The AAAs are not permitted to budget or expend Local Program Income on administration costs unless a waiver is requested and approved by the Department of Aging. The AAAs requesting a waiver of this requirement must provide detailed rationale for the use of program income for administrative expenditures.
3. Option Cost Sharing Funds may only be expended on in-home services. In-home services include home delivered meals, home health, personal care, personal assistance services, attendant care, overnight shelter/supervision, environmental modifications, medical equipment/supplies and adaptive devices, home support, adult day care, assessments, care management and consumer reimbursement costs.

The Department of Aging has established the following policies for the retention of program income collections:

ATTACHMENT 1

PROCEDURES FOR AREA AGENCIES ON AGING TO APPLY FOR A WAIVER TO EXPEND LOCAL PROGRAM INCOME ON ADMINISTRATION COSTS

I. Grounds for Approval of a Waiver Request

Waiver requests from Area Agencies on Aging (AAAs), to utilize Local Program Income for administrative costs, will only be considered when ALL of the following criteria have been met:

- a. The expense is reasonable and associated with the operation of the AAA.
- b. The AAA has applied all other unrestricted local funds prior to using Local Program Income for administrative costs.
- c. The need to cover the expense using appropriate administrative funding streams was not reasonably foreseeable.
- d. Failure to cover the expense using Local Program Income would result in a financial impact on consumer services for the agency.

Examples of situations that would merit consideration of a waiver from this prohibition would include uninsured costs of replacing an office destroyed by fire, or utility costs doubling or tripling as a result of a natural disaster. Examples of situations that would NOT merit waiver consideration would include budget shortfalls resulting from poor planning, or using Local Program Income to fund a merit bonus for AAA staff.

II. Process for Submitting a Waiver Request

- a. The Agency should, upon consideration of utilizing Local Program income on administrative cost, prepare a request in writing addressing the criteria established in Section I.
- b. The request must be submitted to the Director of the Bureau of Program Integrity, detailing the reason(s) why the request is necessary, the specifics on what will be paid for and the amount of money involved. The request must be submitted prior to the budget submission or resubmission.
- c. The Bureau of Program Integrity will review the request in consultation with the Bureau of Home and Community Based Services, and the two Bureaus will submit a joint recommendation for approval/disapproval to the Director of the Office of Community Services and Advocacy.
- d. The Deputy Secretary and the Director of the Office of Community Services and Advocacy will make the final decision on approval/disapproval and transmit that decision to the Bureau of Program Integrity, with copy to the Bureau of Home and Community Based Services.
- e. The Bureau of Program Integrity will notify the AAA of the decision in writing.