

Guidance for SBM No Cost Extensions in 2017

The following guidance provides information for current grantees under section 1311 of the Affordable Care Act (ACA) on the requirements for requesting a No Cost Extension (NCE). This information supplements the prior Centers for Medicare & Medicaid Services (CMS) guidance entitled, “FAQs on the Clarification of the Use of 1311 Funds for Establishment Activities”, published in March 2014.

Summary

CMS/CCIIO will review No Cost Extension requests from grantees that require additional time in 2017 to complete establishment activities under their previously approved work plans.

In accordance with HHS grants policy, grant project periods will not be extended beyond 5 years from the initial award date, and project periods typically may be extended for up to one year. A higher level of justification will be required to request to extend a project period into 2017 if the grant previously received a no cost extension. Specifically, grantees will be required to demonstrate that a request for more time to complete establishment activities is reasonable and to provide an account of the progress made during the previous extension.

Background

With a NCE, a grant’s project period may be extended for a reasonable time beyond the original project period to allow the grantee to complete the project goals and objectives with remaining grant funds. Consistent with existing grant rules and policies, grantees may request a NCE to extend the project period in order to complete establishment activities that were part of the grantees’ approved work plan under a specific grant where the grantee reasonably requires additional time to complete those activities. CMS reviews each NCE request for allowability, allocability, and reasonableness of costs based on section 1311 of the Affordable Care Act and HHS grant rules and policies.

Grantees should request the NCE a minimum of three months before the close of the grant’s project period. Grantees, in making a request to Office of Acquisitions and Grants Management (OAGM), must indicate for how long they wish to extend the period, up to one-year, but not longer than 5 years from the initial award date. Grantees must demonstrate that their need for more time to complete establishment activities is reasonable. This may include, but is not limited to, identification of any special circumstances that impeded completion of establishment activities and that reasonable progress toward completion of establishment activities was made during the last no cost extension as described above. Grantees must also show a direct correlation between the amount of activities left to perform and the amount of additional time requested.

Requirements

Section 1311 funds may only be used for establishment activities that were part of a grantee's approved work plan and not for ongoing operations. For example, CMS has previously extended project periods pursuant to NCEs to allow a grantee more time to complete the establishment of Information Technology systems, including data reporting capabilities required by the ACA and CMS regulations and finalizing software releases. CMS has also previously approved an NCE to allow a grantee more time to complete the establishment of a Marketplace's consumer outreach operations – an activity that was necessary to the Marketplace for reaching hard to reach populations and the consumer participation necessary to the Marketplace reaching self-sustainability as required by section 1311(d) of the ACA.

NCE requests must include the following:

- Letter from the Authorizing Official including:
 - Date of the no cost extension being requested,
 - A statement that indicates that the grantee has an accounting system that adequately tracks activities and costs in a manner that will enable accurate allocation of indirect costs to allowable establishment activities, and
 - A statement describing the section 1311 grant funding versus Medicaid/CHIP cost allocation into/effective for 2017.
- Revised Work Plan adjusted to new NCE timeline.
- Justification for the extension. Grantees must demonstrate the request for more time is reasonable, including showing a correlation between the amount of activities left to perform the activities in an approved work plan and the amount of additional time requested. Specify any special circumstances that impeded completion of establishment activities
- Demonstrated progress. Grantees must demonstrate progress made in the last no cost extension toward completing the establishment activities.
- Table which identifies non-1311 funds that will support the Marketplace's ongoing operations.
- Budget and monthly spend plan/drawdown plan for each budget category on the SF424A.
- Budget and monthly spend plan/drawdown plan for each of the Exchange Core Areas.
- Updated SF424A.

No Cost Extension FAQs

- **Question:** May grantees seek an extension of their section 1311 grant project period, and if so, for what types of activities?
 - **Answer:** Yes, consistent with existing HHS grant rules and policies, grantees may request NCEs to extend the project period beyond the first year of operations (December 31, 2014) where the grantee reasonably requires additional time to complete the design, development and implementation of activities that were part of the grantee's approved work plan under a specific grant. CMS will review each NCE request for allowability, allocability and reasonableness of costs based on section 1311 of the ACA and HHS grant rules and policies. Consistent with HHS grants policy, project periods will not be extended beyond 5 years from the initial award date.
- **Question:** Are there activities that may not be supported with funds made available to a grantee pursuant to an NCE?

- **Answer:** Yes, where funds are made available during a project period that was extended pursuant to an NCE, the funds may not be used to cover maintenance and operating costs, including but not limited to rent, software maintenance, telecommunications, utilities and base operational personnel/contractors. CMS will thoroughly review all NCE requests to ensure that project periods are extended only for approved and permissible establishment activities.