

FY 2014-15 May Revision
Office of AIDS

Summary

Under this proposal, the only Office of AIDS (OA) program which receives state General Fund for local assistance is the HIV/AIDS Surveillance program.

- There are no changes proposed in the \$6.65 million General Fund support for the HIV/AIDS Surveillance program.
- There is no General Fund support for ADAP local assistance in the Current Year (FY 2013-14) or Budget Year (FY 2014-15).
- There are two new major ADAP policy changes included in the revised budget.
 - Effective July 1, 2014, ADAP proposes adding two new hepatitis C virus (HCV) drugs to the ADAP formulary: simeprevir and sofosbuvir. OA is working with ADAP's Medical Advisory Committee to ensure those most in need and most likely to benefit can receive HCV treatment. As a result, ADAP will prioritize for treatment HCV-infected clients with advanced liver disease. FY 2014-15 cost estimates for adding both drugs to the ADAP formulary total \$26.1 million.
 - The *May Revision* proposes that OA develop and implement the administrative capacity to pay out-of-pocket medical expenses for eligible Health Insurance Premium Payment Program (OA-HIPP) clients. Currently, health insurance premiums can be paid by OA-HIPP for eligible clients, and medication co-pays and deductibles by ADAP for drugs on the ADAP formulary, but clients are responsible for paying often substantial medical out-of-pocket costs for doctor's visits, lab tests, etc. This proposed policy change will encourage more ADAP clients to enroll in coverage through Covered California which will result in an overall reduction in ADAP expenditures. This policy change will also improve the overall health of Californians living with HIV/AIDS because clients will have comprehensive health insurance and ready access to the full continuum of care, rather than only HIV care and medications through the Ryan White system. OA anticipates payment of out-of-pocket medical expenses and premiums will begin in January 2016.

ADAP Detail

Funding

ADAP is funded with federal funds, ADAP Special Fund (pharmaceutical manufacturer rebates), and Reimbursement funds.

FY 2013-14 (the current budget year, through June 30, 2014)

- The January Governor's Budget included ADAP local assistance funding of \$419.0 million, with no state General Fund appropriation. The revised FY 2013-

14 budget is \$413.8 million, a decrease of \$5.3 million mainly due to using a more recent set of actual expenditure data. The revised budget does not contain a General Fund appropriation nor any cuts to services. ADAP will use all mandatory rebate funds available in FY 2013-14 due to HRSA's requirement to spend mandatory rebate funds prior to spending federal funds. ADAP requests an increase of \$3.6 million in federal funds and a decrease in ADAP Rebate Fund expenditure authority of \$8.9 million when compared to the January Governor's Budget.

FY 2014-15 (the next budget year, starting July 1, 2014)

- Proposed funding for the budget year is \$438.5 million. The increase of \$24.8 million compared to the revised current year is primarily due to costs associated with adding new HCV drugs to the ADAP Formulary. Changes to ADAP's budget authority when compared with the revised Current Year budget include the following:
 - Increase of \$45.3 million in Reimbursement funds.
 - Decrease of \$781,000 in federal funds.
 - Decrease of \$19.8 million in ADAP Rebate Fund expenditure authority.

More details about these changes in ADAP costs and funding sources can be seen in the Fund Condition Statement found starting on page 20 of the ADAP Estimate.

ADAP Utilization

Approximately 40,051 individuals received ADAP services in FY 2012-13. It is estimated that 36,526 individuals will receive services in FY 2013-14 and 37,873 individuals will receive services in FY 2014-15 (page 23, ADAP Estimate).

Transition of Clients to Affordable Care Act Programs

- Under the Affordable Care Act, effective January 1, 2014, California has expanded its Medi-Cal program to include individuals between the ages of 19 to 64 years, regardless of disability status, with income up to 138 percent of the federal poverty level (FPL). By January 1, 2014, most former ADAP clients eligible for Medi-Cal Expansion had already left ADAP and transitioned to LIHP, a Federal 1115 Waiver project administered by the Department of Health Care Services. These clients transitioned from LIHP to Medi-Cal Expansion on January 1, 2014. Therefore, Medi-Cal Expansion estimates include savings for four groups of clients: 1) ADAP to LIHP to Medi-Cal Expansion; 2) ADAP directly to Medi-Cal Expansion; 3) OA Pre-Existing Condition Insurance Plan (OA-PCIP) Premium Payment Program to Medi-Cal Expansion; and 4) OA Health Insurance Premium Payment (OA-HIPP) Program to Medi-Cal Expansion (pages 11-13, ADAP Estimate).

- For FY 2013-14, estimated savings of \$73.0 million (consisting of a \$72.9 million reduction in ADAP drug expenditures and a \$108,000 reduction in premium expenditures) for 5,260 clients. Due to the six-month delay in rebate collections, the impact of rebate loss is reflected in FY 2014-15.
- For FY 2014-15, estimated net savings of \$129.5 million (consisting of a \$191.2 million reduction in ADAP drug expenditures, a \$64.2 million reduction in rebate revenue and a \$2.5 million reduction in premium expenditures).
- In addition, effective January 1, 2014, all residents legally residing in California are eligible for and able to purchase health insurance through Covered California, in spite of having HIV/AIDS as a pre-existing condition. Eligible individuals are required to enroll in a health care plan that meets basic minimum standards or provide proof they have an existing comparable health care plan. Otherwise, they will be subject to a financial penalty. An income-based Federal tax credit is available to individuals earning between 138 and 400 percent FPL to offset the cost of insurance premiums. Based on the experience with the OA-PCIP program, OA estimated 2.8 percent of eligible ADAP-only clients will enroll in Covered California in FY 2013-14 and 7.2 percent in FY 2014-15 (pages 13-15, ADAP Estimate).
 - For FY 2013-14, estimated net savings are \$848,489, which consists of a \$1.9 million reduction in ADAP drug expenditures, a \$65,630 reduction in rebate, a \$260,452 increase in insurance premium expenditures, and \$724,180 in new expenditures to modify and automate existing data systems reducing application processing timelines in anticipation of an increase in OA-HIPP workload.
 - For FY 2014-15, estimated net savings are \$9.9 million (consisting of a \$11.0 million reduction in ADAP drug expenditures, a \$1.0 million increase in insurance premium expenditures, and \$100,000 associated with maintaining and modifying existing data systems).
 - OA is moving forward to develop and publish a Request for Proposals or Invitation to Bid to solicit applications from vendors who have the capacity to pay out-of-pocket medical expenses and premiums. After a vendor is selected, a contract will need to be developed and executed before the Third-Party Administrator could begin providing services. Due to the time necessary to complete these processes, OA anticipates payment of out-of-pocket medical expenses and premiums to begin in January 2016 (FY 2015-16) and the correlating effect on client shift, reduction in ADAP expenditures and change to rebate revenue will be reflected in the *2015-16 Governor's Budget*.