

FY 2016-17 May Revision
Office of AIDS, California Department of Public Health

Summary

Under this proposal, the two Office of AIDS (OA) programs that receive state General Fund for local assistance are the HIV Surveillance and Prevention programs. There are no changes proposed for either the \$6.65 million General Fund local assistance support for the Surveillance program or the \$7.5 million General Fund local assistance support for the Prevention program in either the Current Year (FY 2015-16) or the Budget Year (FY 2016-17). There are also no new ADAP policy changes included in the revised budget. However, there is one revised policy change:

- *Savings Due to Cross Match of Ryan White Client Data to Medi-Cal Eligibility Data System (MEDS)* – To minimize the possibility of paying for medications that should be billed to Medi-Cal or other third-party payers such as Medicare Part D or Covered California, the California Department of Public Health (CDPH) executed an interagency agreement with the Department of Health Care Services (DHCS) that allows for a monthly cross match of Ryan White and Medi-Cal Eligibility Data System (MEDS) client data. The first match was implemented in May 2015 and continues to be performed on a monthly basis. Clients who are found to be enrolled in Medi-Cal without a Share of Cost (SOC) are disenrolled from ADAP after confirmation of their coverage. When these clients arrive at an ADAP pharmacy to get their medications, the medications will be billed to Medi-Cal rather than to ADAP. The match also identifies clients with a Medi-Cal SOC. These clients remain in ADAP and when they arrive at an ADAP pharmacy to get their medications, ADAP pays for medication costs up the SOC amount.

OA will re-coup any prior ADAP expenditures for these clients, to the extent allowable by Medi-Cal, through a pharmacy back-billing process by the Pharmacy Benefits Manager (PBM). Estimated net savings to ADAP in FYs 2015-16 and 2016-17 are \$5.1 million and \$1.3 million, respectively. Including the clients identified during the FY 2015-16 MEDS cross match, there will be a total net savings of \$7.3 million in FY 2016-17.

ADAP Detail

Funding

ADAP is currently funded through federal funds and the ADAP Special Fund (pharmaceutical manufacturer rebates). Safety Net Care Pool (SNCP) reimbursement funds from the Department of Health Care Services are no longer available for ADAP because the previous Medi-Cal 1115 Waiver expired on October 31, 2015.

FY 2015-16 (the current budget year, through June 30, 2016):

- The January Governor's Budget included ADAP local assistance funding of \$317.1 million, with no state General Fund appropriation. The revised FY 2015-16 budget is \$305.7 million, a decrease of \$11.4 million mainly due to ADAP clients continuing to transition from ADAP to Medi-Cal or HIV-infected clients enrolling directly in Medi-Cal instead of ADAP.

The revised current year budget does not contain a General Fund appropriation or any cuts to services. ADAP requests the following changes in funding expenditure authority when compared to the January Governor's Budget:

- Decrease of \$5.5 million in ADAP rebate funds
- Decrease of \$5.9 million in federal funds

FY 2016-17 (the next budget year, starting July 1, 2016):

- Revised ADAP local assistance funding for the budget year is \$323.9 million. OA estimates that expenditures will decrease by \$6.3 million when compared to the January Governor's Budget, but increase by \$18.2 million compared to the revised current year. The increase of \$18.2 million compared to the revised current year is primarily due to new clients enrolling in ADAP. Clients will continue to transition from ADAP paying the full cost of their medications to Covered California and Medi-Cal in FY 2016-17; however, OA expects that the number of clients leaving ADAP for Medi-Cal will stabilize and that client caseloads will again increase due to persons being newly diagnosed with HIV. Changes to ADAP's budget authority when compared to the January Governor's Budget include the following:
 - Decrease of \$39.2 million in ADAP rebate funds.
 - Increase of \$32.9 million in federal funds.

The summary of these ADAP funding sources can be seen in Table 1 on page 3 of the ADAP Estimate.

ADAP Utilization

Approximately 31,859 individuals received ADAP services in FY 2014-15. It is estimated that 28,798 individuals will receive services in FY 2015-16 and 29,155 individuals will receive services in FY 2016-17 (page 14, ADAP Estimate). ADAP Eligibility Modernization legislation, effective June 24, 2015, changed ADAP income eligibility criteria from \$50,000 based on annual individual income to a Modified Adjusted Gross Income of 500 percent of the federal poverty level, based on family size and household annual income. OA estimates that the new income eligibility criteria will allow 47 clients to enroll in FY 2015-16 and another 47 clients in FY 2016-17.

Payment of Out-of-Pocket Medical Expenses for All OA-HIPP Clients

The payment of out-of-pocket medical expenses for OA-HIPP clients was an Existing Assumption in the *2016-17 Governor's Budget*. The Insurance Benefits Manager and Medical Benefits Manager contract was awarded on January 5, 2016 to Pool Administrators, Inc. The contract was executed on March 2, 2016. ADAP is working with the contractor on implementation with the goal of providing services starting July 1, 2016.

- FY 2015-16: OA estimates that zero additional clients will enroll in OA-HIPP/Covered California due to payment of medical out-of-pocket costs in FY 2015-16, leading to no additional savings during FY 2015-16.
- FY 2016-17: OA estimates that 617 additional clients will enroll in OA-HIPP/Covered California due to payment of medical out-of-pocket costs in FY 2016-17, leading to additional savings of approximately \$1.2 million during FY 2016-17.

Hepatitis C Virus (HCV) Drugs

The expansion of HCV medication to allow treatment of all HCV co-infected ADAP clients, regardless of liver disease stage, was implemented on July 1, 2015. There are no changes to this assumption.

- FY 2015-16: OA estimates that 124 clients will be treated for HCV with \$4.8 million in program expenditures and \$1.2 million in rebate revenue. The estimated net cost is \$3.6 million.
- FY 2016-17: OA estimates that 125 clients will be treated for HCV with \$5.3 million in program expenditures and \$2.5 million in rebate revenue. The estimated net cost is \$2.8 million.