

FY 2015-16 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/AIDS Surveillance program and the HIV Prevention program. There are no changes proposed in the \$6.65 million General Fund local assistance for the HIV/AIDS Surveillance program or the \$2.85 million General Fund local assistance for the Prevention program, and no General Fund local assistance for the AIDS Drug Assistance Program (ADAP) in the Current Year (FY 2014-15) or Budget Year (FY 2015-16).

- There are two new major ADAP policy changes included in the revised budget.
  - The ADAP May Revision Estimate proposes expanding access to hepatitis C virus (HCV) medications to include all HCV co-infected ADAP clients, regardless of liver disease stage. This policy is in alignment with the federal Health and Human Services guidelines for treating HCV co-infection among HIV-infected persons and the revised Department of Veteran Affairs' HCV clinical guidelines, which recommend that all HIV/HCV co-infected patients be treated.
    - a. The FY 2014-15 estimate is based on providing treatment to clients with F3 or F4 liver disease only, since OA expects that the transition to providing treatment for all co-infected clients will require a ramp-up time period beginning in FY 2015-16. The estimated net cost of \$1.3 million is based on actual utilization data pro-rated for the remainder of the current fiscal year.
    - b. The estimate for FY 2015-16 is based on methodology described on page 9 of the ADAP May Revision Estimate. The estimated net cost to treat HCV co-infected ADAP clients regardless of liver disease stage in FY 2015-16 is \$6.5 million (see table 5 on page 10 of the *2015-16 May Revision Estimate*).
  - The ADAP May Estimate proposes that in FY 2015-16 OA reallocate \$1.5 million in Ryan White base funding currently allocated in ADAP to local health jurisdictions and/or community-based organizations to support targeted efforts to re-engage HIV infected minority clients in medical care and treatment. This funding shift is consistent with the President's HIV Care Continuum Initiative and the National HIV/AIDS Strategy goals to improve linkage to and retention in HIV care and treatment services and to improve HIV related health disparities.

**ADAP Detail**Funding

ADAP is currently financed through federal funds, Safety Net Care Pool (SNCP) reimbursement funds from the Department of Health Care Services, and the ADAP Special Fund (pharmaceutical manufacturer rebates).

FY 2014-15 (the current budget year, through June 30, 2015)

- The January Governor's Budget included ADAP local assistance funding of \$384.9 million, with no state General Fund appropriation. The revised FY 2014-15 budget is \$352.2 million, a decrease of \$32.7 million mainly due to the following factors:
  - Medi-Cal Expansion: A larger number of clients are transitioning to Medi-Cal Expansion than was initially estimated, leading to greater declines in the number of ADAP-only clients.
  - Hepatitis C virus treatment: Fewer clients are accessing hepatitis C treatment than was initially estimated.
- The revised Current Year budget does not contain a General Fund appropriation or any cuts to services. ADAP requests the following changes in FY 2014-15 funding expenditure authority when compared to the January Governor's Budget:
  - Decrease of \$36.2 million in ADAP rebate funds.
  - Increase of \$4.5 in federal funds.
  - Decrease of \$1.0 million in Reimbursement funds (SNCP).

FY 2015-16 (the next budget year, starting July 1, 2015)

- A. Proposed funding for the Budget Year is \$389.0 million. OA estimates that expenditures will decrease by \$25.9 million when compared to the January Governor's Budget, but increase by \$36.8 million compared to the revised Current Year. The increase of \$36.8 million compared to the revised Current Year is primarily due to new clients enrolling in ADAP and expanding availability of hepatitis C treatment to all HCV co-infected ADAP clients. Changes to ADAP's budget authority when compared to the revised Current Year budget include the following:
- Increase of \$57.1 million in ADAP rebate funds.
  - Decrease of \$33.3 million in federal funds.
  - Increase of \$13.0 million in Reimbursement funds (SNCP).

The Department of Health Care Services informed OA that after the current Medi-Cal 1115 Waiver expires on October 31, 2015, SNCP reimbursement funds will no longer be available to ADAP. Therefore, the SNCP reimbursement funds available in FY 2015-16 are \$18.2 million.

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

### ADAP Utilization

Approximately 36,047 individuals received ADAP services in FY 2013-14. It is estimated that 32,556 individuals will receive services in FY 2014-15 and 33,139 individuals will receive services in FY 2015-16 (page 16, ADAP Estimate).

### Hepatitis C Drugs

During FY 2014-15, several new HCV drugs have become available and have been added to the ADAP formulary, including a co-formulated two-drug combination of ledipasvir/sofosbuvir (Harvoni®) and a four-drug combination of ombitasvir/paritaprevir/ritonavir and dasabuvir co-formulated into two different tablets (Viekira Pak™). ADAP will collect mandatory 340B rebate from the drug manufacturers for these new HCV expenditures. The ADAP Crisis Task Force (ACTF), of which OA is a member, negotiates supplemental drug pricing agreements with drug manufacturers on behalf of all state ADAPs. The ACTF was able to negotiate a substantial discounted drug price with AbbVie for ombitasvir/paritaprevir/ritonavir tablets with dasabuvir tablets, the manufacturer of this new HCV drug. To date, Gilead has refused to provide voluntary supplemental rebates to ADAPs for ledipasvir/sofosbuvir. As a result, ombitasvir/paritaprevir/ritonavir tablets with dasabuvir tablets is available at a lower cost to ADAPs than ledipasvir/sofosbuvir.

OA, in collaboration with the ADAP Medical Advisory Committee (MAC), has updated the previously approved medical access criteria for HCV treatment (for simeprevir and sofosbuvir) to prioritize the use of ombitasvir/paritaprevir/ritonavir tablets with dasabuvir tablets, due to the lower cost, among eligible patients when the regimen is equally effective and no medical contraindications to its use exist. Transition to providing treatment for all co-infected ADAP clients is projected to occur in FY 2015-16. OA will continue to work with the ADAP MAC to assure appropriate medical access.

### **Prevention Detail**

California legislation (SB 870) signed by Governor Brown on June 20, 2014 has established funding for “public health demonstration projects for innovative, evidence-based approaches to provide outreach, HIV and hepatitis C screenings, and linkages to, and retention in, quality health care for underserved individuals with high risk for HIV infection.”

OA conducted a Request for Applications process for the demonstration projects in November 2014. A total of \$5.7 million was awarded to three demonstration projects to operate from March 1, 2015 through January 31, 2017. At the conclusion of the funding period, the California Department of Public Health, OA will review the project models and determine whether they can be implemented on a statewide basis.