

FY 2012-13 Governor's Budget
Office of AIDS

Summary

Under this proposal, three Office of AIDS (OA) programs receive state General Fund:

- There are no changes proposed in the General Fund portion support for the HIV/AIDS Surveillance program.
- There is a small amount of new General Fund support proposed for Insurance Assistance Programs for certain expenditures that are not allowable under the Ryan White (RW) payer of last resort provision, specifically to pay private health insurance premiums for OA-HIPP clients co-enrolled in Medi-Cal with a share of cost.
- There are reductions proposed in General Fund support for the AIDS Drug Assistance Program (ADAP). Two major changes include:
 - Transition of eligible clients to the Low Income Health Program (LIHP)
 - Institution of a revised client cost-sharing policy.

ADAP Detail

Funding

ADAP is funded with General Fund, federal funds, pharmaceutical manufacturer rebates, and Safety Net Care Pool funds.

FY 2011-12 (the current budget year, through June 30, 2012)

- The Enacted Budget included ADAP local assistance funding of \$503.6 million, of which \$82.6 million was state General Fund. The revised FY 2011-12 budget is \$477.3 million (a decrease of \$26.3 million).
 - The revised General Fund appropriation is \$4.9 million, which reflects a decrease of \$77.7 million which is primarily associated with a \$23.9 million decrease in estimated program expenditures, \$18.2 million increase in federal funds, and \$29.4 million increase in Special Fund expenditure authority.

FY 2012-13 (the next budget year, starting July 1, 2012)

- Proposed funding for the budget year is \$395.1 million (\$82.2 million less than the revised current year). The decrease of \$82.2 million compared to the revised current year is due primarily to the following factors:
 - Decrease of \$106.8 million in estimated net savings due to clients transitioning to LIHP.
 - Decrease of \$24.7 million from averted drug expenditures due to OA-PCIP and OA-HIPP.
 - Institution of a revised client cost-sharing policy with an estimated net savings of \$14.5 million.

- Increase of \$65.0 million in projected ADAP drug expenditures (from the linear regression model)
- The General Fund appropriation is \$5.6 million (\$0.6 million more than the revised current year). The increase is due to an increase in estimated expenditures for ADAP clients with a Medi-Cal share of cost (SOC) and transaction fees invoiced by ADAP's pharmacy benefits management contractor for the administrative costs associated with managing prescription transactions that are ultimately identified as not eligible for ADAP payment. OA cannot use RW federal funds or ADAP rebate funds to pay for these expenditures.

More details about these changes in ADAP costs and in Federal and state General Fund can be seen in the Fund Condition Statement found starting on page 46 of the ADAP Estimate.

ADAP Utilization

Approximately 39,246 individuals received ADAP services in FY 2010-11. It is estimated that 41,887 individuals will receive services in FY 2011-12 and 39,146 individuals will receive services in FY 2012-13 (page 49).

Transition of Clients to Low Income Health Program

The California Department of Health Care Services' (DHCS) new program, LIHP, will phase in health coverage for adults ages 19-64 years with incomes up to 200 percent of the federal poverty level (FPL), as determined by each county, who are not otherwise eligible for Medi-Cal (page 6, ADAP Estimate). As a result, some clients will shift from ADAP to LIHP. Thus, OA estimated the following savings (pages 7-24, ADAP Estimate):

- For FY 2011-12 estimated savings of \$19.9 million (reduced expenditures only, no impact to revenue due to the six month delay in receiving revenue).
- For FY 2012-13 estimated net savings of \$106.8 million (consisting of a \$139.9 million reduction in ADAP expenditures and \$33.1 million reduction in rebate revenue).

Institution of a Revised Client Cost-Sharing Policy

The revised client cost-sharing policy will be implemented July 1, 2012. The client's SOC obligation will be based on client income and FPLs to establish the client's annual SOC. Annual income levels and associated annual SOC obligations are as follows for ADAP-only, Medi-Cal SOC, and Medicare Part D clients (pages 24-29):

- Less than 100 percent FPL (\$0–\$10,890*) = no SOC
- 101 to 200 percent FPL (\$10,891–\$21,780*) = 5 percent of annual income
- 201 to 300 percent FPL (\$21,781–\$32,670*) = 7 percent of annual income

- Greater than 300 percent FPL ($\$32,671^* - \$50,000$) = 10 percent of annual income, and
- Private Insurance clients above 100 percent of FPL = 2 percent of annual income.

*Based on the 2011 U.S. Department of Health and Human Services Poverty Guidelines for an individual.

OA estimates a net savings of \$14.5 million in FY 2012-13 as a result of the revised ADAP client SOC.

- General Fund savings of \$16.5 million, which would be offset by program administrative costs of \$2 million, for a net General Fund savings of \$14.5 million.
- For Medicare clients, the cost-sharing obligation will exclude clients reaching catastrophic coverage, those dually enrolled in Medicare and Medi-Cal (or "Medi-Medi" clients) with no Medi-Cal SOC, and all others who qualify for full-subsidy Medicare.