

FY 2014-15 Governor's Budget  
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.
- In the Current Year (FY 2013-14), ADAP returned \$16.9 million to the General Fund, made possible by
  - the transition of eligible clients to the Low Income Health Program (LIHP), Medi-Cal Expansion and Covered California and
  - utilizing all rebate funds available due to the Health Resources and Services Administration (HRSA) requirement to spend rebate funds prior to spending federal funds.
- There is no General Fund support for ADAP local assistance in the Budget Year (FY 2014-15).
- No new major ADAP policy changes with substantial fiscal impact are included in the proposed budget.
  - A small increase in ADAP pharmacy benefits manager transaction costs is included (\$103K in FY 2013-14 and \$220K in FY 2014-15) due to the federal HRSA mandate to implement six-month ADAP client eligibility re-certification.
  - The FY 2014-15 Governor's Budget proposes creating statutory authority that will allow the California Franchise Tax Board to share tax data with OA. The availability of tax data will complement existing Ryan White Part B (including ADAP) enrollment practices as OA will be able to cross-reference Ryan White Part B client data with tax data. OA assumes potential fiscal costs and savings impacts will be absorbable in FY 2014-15.

**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 Enacted Budget included ADAP local assistance funding of \$406.3 million, with no state General Fund appropriation. The revised FY 2013-14 budget is \$419.2 million, an increase of \$12.9 million mainly due to reduced savings estimates from LIHP backbilling. In spite of this budget increase, the proposed budget does not contain a General Fund appropriation nor any cuts to services

because ADAP will use all rebate funds available in FY 2013-14 due to HRSA's requirement to spend rebate funds prior to spending federal funds. ADAP requests an increase of \$46.4 million in ADAP Rebate Fund expenditure authority, an additional \$24.5 million in federal funds, and will return \$58.0 million of Reimbursement funds to the California Department of Health Care Services (DHCS) when compared to the 2013-14 Budget Act.

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

- Proposed funding for the budget year is \$409.8 million. The decrease of \$9.5 million compared to the revised current year is due primarily to savings from Patient Protection and Affordable Care Act programs, including Medi-Cal Expansion and the movement of clients into Covered California. Changes to ADAP's budget authority when compared with the revised Current Year budget include the following:
  - Increase of \$42.8 million in Reimbursement funds.
  - Decrease of \$4.8 million in federal funds.
  - Decrease of \$47.5 million in ADAP Rebate Fund expenditure authority.
- OA will utilize Reimbursement funds for the estimated expenditures for which OA cannot use Ryan White federal funds or ADAP rebate funds. These expenditures include expenditures for ADAP clients with a Medi-Cal share of cost and transaction fees invoiced by ADAP's pharmacy benefits manager for the administrative costs associated with managing prescription transactions that are ultimately identified as not eligible for ADAP payment.

More details about these changes in ADAP costs and funding sources can be seen in the Fund Condition Statement found starting on page 26 of the ADAP Estimate.

*ADAP Utilization*

Approximately 40,051 individuals received ADAP services in FY 2012-13. It is estimated that 36,127 individuals will receive services in FY 2013-14 and 36,688 individuals will receive services in FY 2014-15 (page 29, 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). In FY 2013-14, most ADAP clients who are eligible for Medi-Cal Expansion have already left ADAP and transitioned to LIHP, a Federal 1115 Waiver project administered by the Department of Health Care Services. 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; and 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 10-12, ADAP Estimate).

- For FY 2013-14, estimated savings of \$74.0 million for 5,401 clients. Due to the six-month delay in rebate collections, the impact of rebate loss will be reflected in FY 2014-15.
- For FY 2014-15, estimated net savings of \$128.2 million (consisting of a \$193.3 million reduction in ADAP expenditures and a \$65.1 million reduction in rebate revenue) for 9,520 clients.
- 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 (pages 12-15, ADAP Estimate).
  - For FY 2013-14 estimated net savings are \$1.2 million, which consists of a \$2.3 million reduction in ADAP drug expenditures, a \$66,403 reduction in rebate, a \$310,555 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 \$10.4 million (consisting of a \$11.5 million reduction in ADAP expenditures, a \$1.1 million increase in insurance premium expenditures, and \$100,000 associated with maintaining and modifying existing data systems).