

FY 2016-17 Governor's Budget  
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).

- The California Department of Public Health (CDPH) proposes to expend \$2.625 million in fiscal year 2015-16 and \$3.5 million in 2016-17 in federal funds, and requests the addition of 5.0 permanent positions, to implement a three-year Centers for Disease Control and Prevention (CDC) grant awarded to CDPH on September 3, 2015 to develop and implement programs to encourage the use of pre-exposure prophylaxis (PrEP) medication to decrease the transmission of HIV in San Diego, Orange, Alameda and Riverside Counties.
- There is one new ADAP policy change included in the proposed budget and 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 will continue 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. 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 \$2.4 million and \$3.1 million, respectively.
  - *Payment of Out-Of-Pocket Medical Expenses for all OA-HIPP Clients* – On September 4, 2015, ADAP released one Request for Proposal (RFP) for both Insurance Benefits Manager (IBM) and Medical Benefits Manager (MBM) services to pay insurance premiums and medical out-of-pocket costs, respectively. OA awarded the IBM and MBM agreements on January 5, 2016, and services will be implemented in the Spring of 2016.
    - FY 2015-16: OA estimates that 260 additional clients will enroll in OA-HIPP/Covered California due to payment of medical out-

- of-pocket costs in FY 2015-16, leading to additional savings of approximately \$658,000 during FY 2015-16.
- FY 2016-17: OA estimates that 747 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 \$5.9 million during FY 2016-17.

## Prevention Detail

The California Department of Public Health (CDPH) proposes to expend \$2.625 million (\$1.35 million local assistance and \$1.275 million state operations) in fiscal year 2015-16 and \$3.5 million (\$1.8 million local assistance and \$1.7 million state operations) federal funds in 2016-17, and requests the addition of 5.0 permanent positions, to implement a three-year Centers for Disease Control and Prevention (CDC) grant awarded to CDPH on September 3, 2015. The grant is entitled *Health Department Demonstration Projects to Reduce HIV Infections and Improve Engagement in HIV Medical Care among Men Who Have Sex with Men and Transgender Persons*. This grant will fund the development and implementation of activities to encourage the use of HIV pre-exposure prophylaxis (PrEP) medication to decrease HIV transmission. The CDC requires the use of these demonstration project funds to develop and provide training and technical assistance for navigation and outreach services, and to develop and distribute educational resources for clinical and non-clinical private providers, local health department staff and community-based staff, as well as resources for consumers/patients. The CDC grant restricts the use of this funding to the local health jurisdictions with the highest HIV prevalence in the CDC-defined California Project Area: San Diego, Orange, Alameda and Riverside. The Los Angeles and San Francisco Metropolitan Statistical Areas received direct funding from the CDC for these activities.

## ADAP Detail

### *Funding*

ADAP is currently funded 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 2015-16 (the current budget year, through June 30, 2016)

- The 2015 Budget Act included ADAP local assistance funding of \$396.6 million, with no state General Fund appropriation. The revised FY 2015-16 budget is \$317.1 million, a decrease of \$79.4 million mainly due to the following factors:
  - ADAP clients continuing to transition from ADAP to Medi-Cal or HIV-infected clients enrolling directly in Medi-Cal instead of ADAP.
  - ADAP clients continuing to transition to private insurance through Covered California.

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 2015 Budget Act:

- Decrease of \$90.3 million in ADAP rebate funds
- Increase of \$28.2 million in federal funds
- Decrease of \$17.3 million in Reimbursement funds (SNCP).

Because the previous Medi-Cal 1115 Waiver expired on October 31, 2015, SNCP reimbursement funds are no longer available to ADAP.

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

- Proposed ADAP local assistance funding for the budget year is \$330.2 million. OA estimates that expenditures will decrease by \$66.4 million when compared to the 2015 Budget Act, but increase by \$13.1 million compared to the revised current year. The increase of \$13.1 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 Expansion in FY 2016-17; however, OA expects that the number of clients leaving or changing client groups 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 2015 Budget Act include the following:
  - Decrease of \$32.2 million in ADAP rebate funds.
  - Decrease of \$16.0 million in federal funds.
  - Decrease of \$18.2 million in Reimbursement funds (SNCP).

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. 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 cause an additional 306 clients to enroll in FY 2015-16 and another 151 clients in FY 2016-17. It is estimated that 29,798 individuals will receive services in FY 2015-16 and 29,401 individuals will receive services in FY 2016-17 (page 14, ADAP Estimate).

#### *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 approved as a new Assumption in May 2015 and implemented on July 1, 2015. There are no changes to this assumption.

- FY 2015-16: OA estimates that 178 clients will be treated for HCV with \$7.6 million in program expenditures and \$2.8 million in rebate revenue. The estimated net cost is \$4.8 million.
- FY 2016-17: OA estimates that 176 clients will be treated for HCV with \$7.5 million in program expenditures and \$5.7 million in rebate revenue. The estimated net cost is \$1.9 million.