

Fiscal Year (FY) 2013-14 May Revision
Office of AIDS

Summary

Under this proposal, the Office of AIDS (OA) programs which receive state General Fund include the HIV/AIDS surveillance program and the AIDS Drug Assistance Program (ADAP), which includes the Insurance Assistance Programs.

- There are no changes proposed in the \$6.65 million General Fund support for the HIV/AIDS Surveillance program.
- There are no Current Year (FY 2012-13) changes proposed in General Fund support for ADAP. In the Budget Year (FY 2013-14), ADAP will return \$16.9 million to the General Fund, made possible by the transition of eligible clients to the Low Income Health Program (LIHP) through December 31, 2013 and to Medi-Cal Expansion or Covered California effective January 1, 2014.

ADAP Detail

Funding

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

FY 2012-13 (the current budget year, through June 30, 2013)

- The January Governor's Budget included ADAP local assistance funding of \$468.6 million, of which \$16.9 million was state General Fund. The revised FY 2012-13 budget is \$456.1 million, a decrease of \$12.5 million, mainly due to updated cost projections which include more actual expenditure data.
- OA estimates a net savings of \$59.3 million due to the transition of ADAP clients to LIHP.

FY 2013-14 (the next budget year, starting July 1, 2013)

- The January Governor's Budget included ADAP local assistance funding of \$435.7 million. The revised FY 2013-14 budget is \$389.3 million, a decrease of \$46.4 million, with a return of \$16.9 million to the General Fund.
- The May Revision includes ADAP savings in FY 2013-14 associated with clients transitioning to the following programs:
 - Estimated savings due to the transition of ADAP clients to Medi-Cal Expansion totals \$91.3 million.
 - Estimated savings due to the transition of ADAP clients to private health insurance plans purchased through Covered California totals \$4.1 million.

- The first six months of savings due to the transition of ADAP clients to LIHP totals \$48.8 million and were included in the LIHP assumptions. The last six months of FY 2013-14 savings, captured in the LIHP assumptions in the January Governor's Budget, were instead captured in the Medi-Cal Expansion assumption or the Covered California assumption in the May Revision in order to both avoid double counting savings and to correctly attribute savings to the appropriate program starting in 2014.
- For FY 2013-14, OA estimates an \$8.5 million (7.5 percent) Federal fund reduction due to Federal legislative changes in how allocations are made to states and a \$5.3 million (5.0 percent) Federal fund reduction due to sequestration.

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 32 of the ADAP Estimate.

ADAP Utilization

Approximately 40,506 individuals received ADAP services in FY 2011-12. It is estimated that 40,226 individuals will receive services in FY 2012-13 and 36,489 individuals will receive services in FY 2013-14 (page 35, ADAP Estimate).

Transition of Clients to Affordable Care Act Programs

Under the Affordable Care Act, effective January 1, 2014, California will expand its Medicaid program to include individuals between the ages of 19 to 64 years, regardless of disability status, with income up to 138 percent FPL. In FY 2013-14, most ADAP clients who will be eligible for Medi-Cal (California Medicaid) Expansion will have already left ADAP and transitioned to LIHP (a Federal 1115 Waiver project, administered by the Department of Health Care Services). Therefore, FY 2013-14 Medi-Cal Expansion estimates include savings for three groups of clients: 1) ADAP to LIHP to Medi-Cal Expansion = \$84.32 million for 9,140 clients; 2) ADAP directly to Medi-Cal Expansion = \$6.00 million for 612 clients; and 3) OA-PCIP to Medi-Cal Expansion = \$1.03 million for 101 clients (pages 10-14, ADAP Estimate).

In addition, effective January 1, 2014, all residents legally residing in California will be eligible for and able to purchase health insurance through Covered California, in spite of having HIV/AIDS as a pre-existing condition. Eligible individuals will be 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 will be available to individuals earning between 138 and 400 percent FPL to offset the cost of insurance premiums. Based on the experience with OA's Pre-Existing Condition Insurance Plan Program, OA estimated 4 percent of eligible ADAP-only clients will enroll in Covered California in FY 2013-14. This results in an estimated FY 2013-14 net savings of \$4.1 million, which consists of a \$5.4 million reduction in ADAP drug expenditures, a \$554,001 increase in insurance premium expenditures, and \$707,299 in new expenditures for administrative costs associated with having a contractor administer OA's insurance assistance

programs, required by the increase in OA's Health Insurance Premium Payment Program workload (pages 14-24, ADAP Estimate).

Due to the six-month delay in rebate collections, no impact on rebate revenue will be seen in FY 2013-14 for the Medi-Cal Expansion assumption and the Covered California assumption. The impact on rebate revenue in subsequent FYs will be addressed in the 2014-15 Governor's Budget.