

FY 2015-16 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/AIDS Surveillance program and the HIV Prevention program.

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

The FY 2015-16 Governor's Budget also includes an increase of five permanent positions and \$536,000 in ADAP Rebate Fund (Fund 3080) expenditure authority at the Office of AIDS to perform a secondary review of eligibility documentation for all ADAP clients as required by the Health Resources and Services Administration (HRSA). This will ensure program integrity by avoiding potential fraud and abuse.

## 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).

The 2015-16 Governor's Budget proposes to alter ADAP's federal fund spending pattern in FY 2014-15 to spend the first three months' of the federal grant allocation in the months it is received, which equates to the last three months of the current state fiscal year. For both FYs 2014-15 and 2015-16, OA has included a 25 percent accelerated movement of ADAP Earmark federal funds for three months to allow ADAP to utilize the full 12 months of federal fund expenditures in lieu of nine, thereby decreasing the federal fund surplus.

For the ADAP November 2014 Estimate Package, OA adopted a new budget model which projects expenditures using an expenditure per client per month model. OA is no longer using the linear regression model due to limitations of that approach to correctly account for changing trends in client caseload due to the impact of the Affordable Care Act.

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

- The 2014-15 Budget Act included ADAP local assistance funding of \$440.0 million, with no state General Fund appropriation. The revised FY 2014-15 budget is \$384.9 million, a decrease of \$55.2 million mainly due to the following factors:
  - Covered California: A larger number of clients enrolled in Covered California during FY 2013-14 than was initially predicted.
  - Medi-Cal Expansion: A larger number of clients are transitioning to Medi-Cal Expansion than was initially estimated.
  - 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 funding expenditure authority when compared to the 2014-15 Budget Act: a decrease of \$31.1 million in ADAP rebate fund, an increase of \$23.4 in federal funds, and a decrease of \$47.4 million in Reimbursement funds.

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

- A. Proposed funding for the budget year is \$415.0 million. OA estimates that expenditures will decrease by \$25.1 million when compared to the 2014-15 Budget Act, but increase by \$30.1 million compared to the revised current year. The increase of \$30.1 million compared to the revised current year is primarily due to new clients enrolling in ADAP. Covered California and Medi-Cal Expansion had and will continue to have substantial impacts on the number and type of clients receiving ADAP services during FY 2014-15. Clients will continue to transition from ADAP paying the full cost of their medications to Covered California and Medi-Cal Expansion in FY 2015-16; 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 2014-15 Budget Act include the following:
- Increase of \$10.0 million in ADAP rebate funds.
  - Increase of \$342,000 in federal funds.
  - Decrease of \$35.5 million in Reimbursement funds (SNCP).

The current Medi-Cal 1115 Waiver expires on October 31, 2015. The Department of Health Care Services has 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 33,791 individuals will receive services in FY 2014-15 and 34,795 individuals will receive services in FY 2015-16 (page 15, ADAP Estimate).

#### *Covered California and Payment of Out-Of-Pocket Medical Costs for OA-HIPP Clients*

In the 2014 May Revision ADAP Estimate, OA estimated that 227 ADAP clients would enroll in Covered California in FY 2013-14, but 913 clients actually did enroll in Covered California. Of these clients, approximately 66 percent were newly entering the OA-HIPP program. As a result, OA estimates for the 2015-16 Governor's Budget that a substantially higher number of clients will already be enrolled in OA-HIPP Covered California at the start of FY 2015-16, when coverage of medical out-of-pocket will start. For FY 2014-15, OA estimates the total impact of \$3.6 million in savings due to ADAP clients enrolling in both OA-HIPP and Covered California. For FY 2015-16, new Covered California enrollment is expected to lead to a savings of \$2.6 million.

In June 2014, the Administration and Legislature approved a proposal to pay for out-of-pocket medical expenses for all OA-HIPP clients. This will encourage more ADAP clients to enroll in coverage through private insurance which will result in overall reductions in ADAP expenditures. Due to the time necessary to complete the Request for Proposal process, OA anticipates payment of out-of-pocket medical expenses to begin in January 2016 (FY 2015-16). For FY 2015-16, OA estimates an additional \$3.1 million in savings due to payment of out-of-pocket costs resulting in total Covered California savings of \$5.8 million (see table 4A, page 10 of the ADAP Estimate).

#### *Addition of Hepatitis C Drugs to the ADAP Formulary*

On July 18, 2014, OA added two new hepatitis C virus drugs, simeprevir and sofosbuvir, to the ADAP formulary. Medical access criteria for these drugs prioritize treatment primarily for ADAP clients with advanced liver disease. OA estimates that 12 percent of ADAP clients are co-infected with the hepatitis C virus, 32.4 percent of the co-infected clients have stage F3 or F4 (advanced) liver disease, and 10 percent of ADAP's co-infected sub-population with stage F3 or F4 liver disease will be treated for hepatitis C each FY.

- FY 2014-15: OA estimates \$4.5 million in program expenditures and \$927,959 in rebate revenue. The estimated net cost is \$3.5 million.
- FY 2015-16: OA estimates \$8.5 million in program expenditures and \$2.7 million in rebate revenue. The estimated net cost is \$5.8 million.

Subsequent to July 2014, two additional new hepatitis C virus drugs have been approved by the FDA: ledipasvir/sofosbuvir and ombitasvir/paritaprevir/ritonavir tablets packaged with dasabuvir tablets. Both are fixed-dose combination therapies that have fewer side effects than interferon-containing therapies. If added to the ADAP formulary,

these new drugs would be prescribed as alternatives to other hepatitis C drugs already on the formulary. OA has been discussing the addition of these drugs with the ADAP Medical Advisory Committee. The Governor's Budget sets aside \$300 million over two fiscal years for various state entities to account for the fiscal impact of high-cost drugs such as those for hepatitis C, while exploring options to contain costs.

#### Additional ADAP Staffing

In November 2013, HRSA conducted a comprehensive site visit of CDPH HRSA-funded Ryan White Part B Care Programs. HRSA recommended that OA develop a centralized electronic system with uploading capability which that will allow for a secondary review of all ADAP client applications within CDPH. Currently, ADAP staff conduct site visits to monitor's ADAP enrollment sites and review a small sample of client file documents. The additional five staff included in the FY 2015-16 Governor's Budget are needed to manage the substantial increase in client eligibility verification workload within ADAP. OA amended the ADAP Pharmacy Benefits Manager contract to allow both ADAP staff and ADAP local site enrollment workers the ability to add, store, view, and delete scanned ADAP client eligibility documents. Effective July 1, 2015, it is OA's goal to require that all ADAP enrollment sites create electronic client files when clients initially enroll or annually re-enroll in ADAP allowing CDPH ADAP staff the ability to verify client eligibility determinations in-house. OA will continue to work closely with stakeholders to ensure that these changes are fully informed by all stakeholders.