

Fiscal Year (FY) 2012-13 May Revision  
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 decrease in the amount of General Fund support proposed for Insurance Assistance Programs compared to the January 2012 Governor's Budget. The revised level maintains funding for 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 (Health Insurance Premium Payment) clients co-enrolled in Medi-Cal with a share of cost (SOC).
- The General Fund support proposed for the AIDS Drug Assistance Program (ADAP) has been reduced. The May Revision includes savings associated with:
  - o Transition of eligible clients to the Low Income Health Programs (LIHP), both a revised estimate of savings associated with Legacy LIHPs and a new estimate of savings for the non-Legacy LIHPs.
  - o 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 January Governor's Budget included ADAP local assistance funding of \$477.3 million, of which \$4.9 million was State General Fund. The revised FY 2011-12 budget is \$480.1 million (an increase of \$2.8 million).
  - o The revised General Fund appropriation is \$4.7 million, which reflects a decrease of approximately \$282,000.
  - o The revised rebate fund appropriation is \$282.6 million, which reflects an increase of \$3.1 million.
  - o There were no changes to the Federal fund appropriation and Safety Net Care Pool fund appropriation.

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

- The January Governor's Budget included ADAP local assistance funding of \$395.1 million. The revised FY 2012-13 budget is \$427.1 million (an increase of \$32.0 million).

- o The FY 2012-13 General Fund appropriation is \$5.3 million (\$243,000 less than the January Governor's Budget). The decrease is due to a decrease in estimated expenditures for ADAP clients with a Medi-Cal SOC and a decrease in 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.
- o The FY 2012-13 federal fund appropriation has increased to \$113.6 million (\$11.0 million more than the January Governor's Budget) due to additional 2012 Earmark funds and ADAP Supplemental funds.
- o The FY 2012-13 Safety Net Care Pool fund appropriation has decreased to \$17.2 million (\$32.2 million less than the January Governor's Budget) in order to maximize the use of rebate funds.
- o The FY 2012-13 rebate fund appropriation has increased to \$291.0 million (\$53.4 million more than the January Governor's Budget).

More details about these changes in ADAP costs, Federal funds and the State General Fund can be seen in the Fund Condition Statement found starting on page 35 of the ADAP Estimate.

### ***ADAP Utilization***

Approximately 39,246 individuals received ADAP services in FY 2010-11. It is estimated that 40,988 individuals will receive services in FY 2011-12 and 41,745 individuals will receive services in FY 2012-13 (page 38 of the ADAP Estimate).

### ***Transition of Clients to LIHP***

The California Department of Health Care Services' (DHCS) 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. As a result, some clients will shift from ADAP to LIHP. Thus, OA estimated the following savings (pages 8-26, ADAP Estimate):

- For FY 2011-12 estimated net savings of \$2.0 million for Legacy LIHPs (compared with \$19.9 million in the January Governor's Budget) and \$0.7 million for Non-Legacy LIHPs (reduced expenditures only, no impact to revenue due to the six-month delay in receiving revenue).
- For FY 2012-13 estimated net savings of \$66.7 million for the Legacy LIHPs (compared with \$106.8 million in the January Governor's Budget). The net savings consists of a \$75.9 million reduction in ADAP expenditures and \$9.2 million reduction in rebate revenue. The estimated savings for the Non-Legacy LIHPs of \$20.9 million includes \$25.0 million in reduced expenditures and \$4.1 million in reduced rebate revenue.
- The decrease in estimated savings in the Legacy counties in both FYs as compared with the January Governor's Budget is primarily due to updated ADAP and LIHP implementation information, including the delay in LIHP screening implementation in Alameda and Los Angeles Counties, now estimated to be July 1, 2012, and the

approximate 90-day delay in all counties between when ADAP clients are screened for LIHP and the start of ADAP savings, which accounts for the time it takes ADAP LIHP-eligible clients to apply for and be enrolled in LIHP.

### ***Institution of a Revised Client Cost-Sharing Policy***

The revised client cost-sharing policy will be implemented October 1, 2012, and will not include a SOC for clients with private insurance. The SOC obligation for other clients 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 29-30):

- Less than 100 percent FPL (\$0–\$11,170\*) = no SOC.
- 101 to 200 percent FPL (\$11,171–\$22,340\*) = 5 percent of annual income.
- 201 to 300 percent FPL (\$22,341–\$33,510\*) = 7 percent of annual income.
- Greater than 300 percent FPL (\$33,511\* – \$50,000) = 10 percent of annual income.
- 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.
- Clients with private insurance who co-enroll in ADAP will not have any ADAP SOC. This is because ADAP pays only drug deductibles and co-pays for these clients and receives full rebate on these expenditures. A revised analysis indicated that instituting an ADAP SOC for these clients would actually cost the state money, because it would encourage these clients to leave ADAP for drug manufacturer co-pay assistance programs.

\*Based on the 2012 U.S. Department of Health and Human Services Poverty Guidelines for an individual.

OA estimates a net savings of \$10.7 million in FY 2012-13 as a result of the revised ADAP client SOC. This includes General Fund savings of \$12.1 million, which would be offset by program administrative costs of \$1.4 million, for a net General Fund savings of \$10.7 million.