

**Governor's January Budget Proposal for FY 2011-12
Office of AIDS**

Summary

Currently, two Office of AIDS Programs receive state General Fund and the rest are supported by Federal Funds. There are no changes proposed to the General Fund portion of the resources used to support the HIV/AIDS Surveillance program. There is one policy change proposed for the AIDS Drug Assistance Program (ADAP), which is an increase in ADAP client share of cost starting in FY 2011 - 12.

ADAP Details

Funding

ADAP is funded with a combination of General Fund, federal funds, and pharmaceutical manufacturer rebates.

FY 2010-11 (the current budget year, through June 30, 2011)

- There are no policy changes in the current year.
- At the time of current Budget Act, the total ADAP funding for the current year was \$428.4 million, of which \$125.6 million was state General Fund. As a result of a projected increase in prescription drug costs and client caseload, as well as anticipated effects of the methods used to develop the last budget which have since been modified, ADAP's revised budget for FY 2010-11 is \$478.5 million.
- The revised FY 2010-11 budget includes a General Fund increase of \$22.1 million. Fortunately, the budget also includes a savings of \$76.3 million General Fund in 2010-11 (for net General Fund savings of \$54.2 million) due to a one-time increase of \$76.3 million federal funds as a result of new, one-time federal resources available through the Safety Net Care Pool. In February 2010, the Centers for Medicare and Medicaid Services approved a Department of Health Care Services (DHCS) amendment that incorporates federal flexibilities to expand DHCS's ability to claim additional state expenditures to utilize federal funding under the Safety Net Care Pool. DHCS used certified public expenditures (CPE) from various programs, including ADAP, to claim federal funds. The ADAP November 2010 Estimate assumes the reimbursement will be spent in the current year.
 - This resource is reflected in a new column named "reimbursement" on the State of CA AIDS/HIV Program Funding Detail chart.
- The revised General Fund appropriation is \$71.4 million. (\$125.6 original + \$22.1 additional need – \$76.3 new resources = \$71.4 million).

FY 2011-12 (the next budget year, starting July 1, 2011)

- Proposed funding for the budget year (FY 2011-12) is \$518.5 million. The General Fund appropriation is \$163.857 million. This increase of \$38.249 million from FY 2010-11 Budget Act and \$92.417 million from the revised FY 2010-11 appropriation results from a combination of increased costs and revenues from increased client cost sharing.
- As a result of a projected increase in prescription drug costs and client caseload, ADAP will require an increase \$55.1 million General Fund in 2011-12
- The budget also includes an increase in client cost-sharing, described below, which is estimated to result in net General Fund savings of \$16.8 million.
- Additional sources of General Fund savings for ADAP include: 2 small supplemental Federal awards (approximately \$5 million), increased negotiated rebates secured through the ADAP Crisis Task Force (over \$25 million in current year and over \$26 million in budget year), 2 changes in the upcoming Pharmacy Benefit Management (PBM) contract starting July 1, 2011 (over \$5.5 million; award to be announced on January 19th), and changes in Federal policy related to Medicare Part D and TrOOP (approximately \$3.8 million in current year and \$6.9 million in budget year). Details of the impacts of each of these factors can be found in the Major Assumptions section of the ADAP November 2010 Estimate (page 3 -12).

These increases in program costs and changes in Federal and state General Fund tie to the Fund Condition Statement found starting on page 13 of the ADAP Estimate Package.

Utilization

Approximately 38,000 individuals received ADAP services in FY 2009-10. It is estimated that 39,500 individuals will receive services in FY 2010-11 and over 42,000 individuals will receive services in FY 2011-12.

Client Share of Cost

At this time, only clients with an income of between 400 percent of the federal poverty level (currently \$43,320) and \$50,000 pay a share of cost.

The Budget would increase client share of cost in ADAP to the maximum percentages allowable under federal law for specified ADAP clients (representing just over 45% of all ADAP clients), but would limit ADAP clients with private insurance to a lower cost-sharing percentage. These maximums are based on the Federal Poverty Level (FPL), as follows:

- Clients with incomes up to 100% FPL – none
 - This group represents approximately 54.6% of ADAP clients
- Client income of 101-200% FPL – Individual may have a share of cost equivalent to up to 5 percent of their gross income;
- Client income of 201-300% FPL – Individual may have a share of cost equivalent to up to 7 percent of their gross income; and
- Client income greater than 300% FPL – Individual may have a share of cost equivalent to up to 10 percent of their gross income.

The FPL is established on April 1 of each year. The current FPL for a single person is \$10,830 and may increase on April 1, 2011. Based upon the current FPL, income ranges are described below:

- Client income of 101-200 percent FPL is equivalent to \$10,938-\$21,660
- Client income of 201-300 percent FPL is equivalent to \$21,763-\$32,490
- Client income of 301-400 percent FPL is equivalent to \$32,598-\$43,320

This cost-sharing policy change is estimated to result in net General Fund savings of \$16.8 million.

The Administration will be refining the specifics of the share of cost proposal for those clients with incomes above 100 percent of the Federal Poverty Level (FPL). We will also be refining the potential operational costs to administer this policy change. The implementation of this proposal could require statute change and trailer bill language may be introduced.