FY 2017-18 May Revision
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. The $6.65 million in General Fund local assistance for the Surveillance program in the Current Year (FY 2016-17) and the Budget Year (FY 2017-18) remain unchanged from the 2017 Governor's Budget. The $8.0 million in General Fund local assistance for the Prevention program in the Current Year (FY 2016-17) and the $7.5 million in the Budget Year (FY 2017-18) also remain unchanged from the 2017 Governor's Budget.

There are two new ADAP policy changes included in the revised budget:

1. **PrEP Assistance Program** – CDPH is proposing Trailer Bill Language to modify California Health and Safety Code to clarify that the PrEP Assistance Program will pay for: 1) PrEP-related medical costs for uninsured clients; and 2) PrEP-related medical co-pays, co-insurance, deductibles, and drug costs not covered by a client's health insurance plan or the manufacturer's co-payment assistance program for insured clients. With this change, uninsured clients who meet the drug manufacturer's income criteria of being at or below 500 percent of Federal Poverty Level can get free drugs from the manufacturer's Patient Assistance Program until they can be navigated to more comprehensive health care coverage. Eligible uninsured clients will also be able to obtain assistance with PrEP-related medical costs through the CDPH PrEP Assistance Program. OA expects to begin implementing this program in January 2018. In FY 2017-18, OA anticipates adding 450 clients to the PrEP Assistance Program, resulting in $311,000 in PrEP-related expenditures.

2. **Termination of the Enrollment Benefits Manager (EBM) Contract** – The contract with the new EBM, A.J. Boggs & Company, was terminated effective March 31, 2017 for material breaches of contract. ADAP worked with a consulting firm to create a new ADAP enrollment system and has taken eligibility and enrollment functions in-house, including implementing a call center and a data processing center comprised of CDPH staff. Termination of the EBM contract will result in local assistance cost-savings of $550,000 in FY 2016-17 and $2.2 million in FY 2017-18. Support costs are not included in the ADAP Estimate. However, we expect an increase in Support expenditures related to insourcing eligibility and enrollment functions of $3.5 million in FY 2016-17 and $4.2 million in FY 2017-18. These support costs will be covered by the ADAP Special Fund.

There are also two revised ADAP policy changes included in the revised budget:

1. **ADAP Case Management Services** – Providing enhanced services to medication-only clients and clients who are not virally suppressed through outreach and case management was a New Assumption in the FY 2017-18 Governor's Budget. ADAP expects medication expenditures to decrease as a result of implementing case management services; however, CDPH has halved the number of clients projected to transition to private health coverage due to a final rule introduced by the new federal administration which will shorten the Covered California open enrollment period from 3 months to six weeks. In FY 2017-18, OA estimates 1,512 clients will transition from the medication-only client group to the private insurance client group, a decrease from 2,948 clients projected in the *2017-18 Governor's Budget*. The estimated net savings for FY 2017-18 of $30.4 million communicated in the *2017-18 Governor's Budget* will be decreased by $15.5 million to a net savings of $14.9 million.

2. **Payment of Out-of-Pocket Medical Expenses for All OA-Health Insurance Premium Payment (OA-HIPP) Program Clients** – ADAP currently pays private health insurance premiums and outpatient medical out-of-pocket costs for ADAP clients co-enrolled in OA-HIPP.
    - ADAP expects to extend OA-HIPP services to clients with employer-based insurance in January 2018. In FY 2017-18, ADAP projects an additional $171,000 in premiums and out-of-pocket costs.
    - In the *2017-18 Governor's Budget,* ADAP proposed to implement coverage of Medicare Part B premiums and outpatient medical out-of-pocket costs, covered by Medigap policies, for ADAP clients co-enrolled in OA's Medicare Part D Premium Assistance Program. However, ADAP has learned that Medicare Part B medical premiums are almost always automatically deducted from the individual's Social Security check and per federal Ryan White statute, ADAP cannot directly reimburse an individual. As a result, ADAP is unable to implement this aspect of the program and has removed costs related to paying Medicare Part B premiums. ADAP expects to implement coverage for outpatient medical out-of-pocket costs or Medigap premiums in January 2018. In FY 2017-18, ADAP projects $270,000 in expenditures associated with outpatient medical out-of-pocket costs, including premiums for Medigap policies, for clients enrolled in OA's Medicare Part D Premium Payment Program.

ADAP Detail

Funding

ADAP is currently funded through federal funds and the ADAP Special Fund (pharmaceutical manufacturer rebates).

FY 2016-17 (current year, through June 30, 2017):

The *2017-18 Governor's Budget* included ADAP local assistance funding of $362.5 million, with no state General Fund appropriation. The revised FY 2016-17 budget is $365.1 million, an increase of $2.6 million mainly due to growth in medication-only clients and continuing increases in medication prices.

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 2017-18 Governor's Budget

- Increase of $62.8 million in federal funds
- Decrease of $60.2 million in ADAP rebate funds

FY 2017-18 (budget year, starting July 1, 2017):

Proposed ADAP local assistance funding for the budget year is $395.7 million. OA estimates that expenditures will increase by $13.5 million (3.5 percent) when compared to the 2017-18 Governor's Budget, and a $10.9 million increase when compared to the revised current year estimate. The increase is due to fewer clients transitioning from medication-only to private insurance because of the shortened Covered California open enrollment period (see Existing Assumption #1 on page 12 of the May Revision). Changes to ADAP's budget authority when compared to the 2017-18 Governor's Budget include the following:

- Increase of $19.5 million in ADAP rebate funds.
- Decrease of $6 million in federal funds.

The summary of these ADAP funding sources can be seen in Table 1 on page 5 of the ADAP Estimate.

ADAP Utilization

Approximately 27,957 individuals received ADAP services in FY 2015-16. It is estimated that 29,658 individuals will receive services in FY 2016-17 and 32,003 individuals will receive services in FY 2017-18 (see Tables 4 and 5 on page 15, ADAP Estimate).

Policy Changes

The following policy changes included in the revised budget are unchanged from the Governor's Budget.

ADAP Pharmacy Quality Incentive Program (QIP)

The implementation of a QIP aimed at improving patient care, health outcomes, and patient satisfaction. In the 2017 RW Part B grant application, ADAP requested using $2.3 million in ADAP Earmark funds to establish a pharmacy QIP. ADAP sent surveys to pharmacies within the ADAP network in mid -February, 2017 to identify services provided within ADAP pharmacies that could benefit from quality improvement activities. Based on the findings from the survey, ADAP will develop an incentive program to improve the quality of services provided.

Anticipated Savings in ADAP Pharmacy Benefits Manager (PBM) Fees

The projected savings in ADAP PBM fees was a New Assumption in the 2017-18 Governor's Budget. Prior to July 1, 2016, ADAP's PBM contract included both pharmaceutical and enrollment services. The former contract was executed on July 1, 2011 and expired on June 30, 2016. The new PBM has fewer and lower fees, including lower pharmacy dispensing fees and lower reimbursement rates for medications. CDPH anticipates PBM savings of $3.6 million in FY 2016-17 and $3.9 million in FY 2017-18.

Hepatitis C Virus (HCV) Drugs

Since July 1, 2015, ADAP has provided access to HCV medications on the ADAP formulary to all HCV co-infected ADAP clients, regardless of liver disease stage.

- FY 2016-17: OA estimates that 129 clients will be treated for HCV with $6.3 million in program expenditures and $2.7 million in rebate revenue. The estimated net cost is $3.6 million.
- FY 2017-18: OA estimates that 137 clients will be treated for HCV with $6.7 million in program expenditures and $3.0 million in rebate revenue. The estimated net cost is $3.6 million.