

Fiscal Year (FY) 2022-23 Governor's Budget
California Department of Public Health (Public Health), Office of AIDS (OA)

I. Summary/General Fund

Public Health/OA is pleased to announce that the Governor's Budget proposal continues to support California's [Laying a Foundation for Getting to Zero Plan](https://www.cdph.ca.gov/Programs/CID/DOA/CDPH%20Document%20Library/IP_2016_Final_ADA.pdf) (https://www.cdph.ca.gov/Programs/CID/DOA/CDPH%20Document%20Library/IP_2016_Final_ADA.pdf).

The 2022-23 Governor's Budget includes:

- \$6.7 million for FY 2021-22 and FY 2022-23 for the HIV Surveillance program
- \$23.9 million for FY 2021-22, and \$19.6 million for FY 2022-23, for the HIV Prevention program

II. AIDS Drug Assistance Program (ADAP)**A. Funding**

ADAP is funded through Federal Trust Fund (Fund 0890) – Federal grants, and the ADAP Rebate Fund (Fund 3080) – Special Fund (pharmaceutical manufacturer rebates).

FY 2021-22 (Current Year, July 1, 2021 through June 30, 2022):

The 2021 Budget Act included ADAP Local Assistance funding of \$489.5 million, with no state General Fund appropriation. The revised current year 2021-22 budget is \$432.3 million, a decrease of \$57.2 million (11.7 percent) when compared to the 2021 Budget Act. The decrease is driven primarily by medication expenditures for medication-only clients, which are projected to be lower than previously reported. Changes to ADAP's budget authority, when compared to the 2021 Budget Act, include:

- Increase of \$2.8 million (2.7 percent) in Federal Funds
- Decrease of \$60 million (15.7 percent) in ADAP Rebate Funds

FY 2022-23 (Budget Year, July 1, 2022 through June 30, 2023):

Proposed ADAP Local Assistance funding for the budget year is \$420.6 million, with no state General Fund appropriation, a decrease of

\$68.9 million (14.1 percent) when compared to the 2021 Budget Act. The decrease is driven by medication expenditures for medication-only clients, which are projected to be lower than previously reported. Changes to ADAP's budget authority, when compared to the 2021 Budget Act, include:

- Decrease of \$3.1 million (3.0 percent) in Federal Funds
- Decrease of \$65.7 million (17.2 percent) in ADAP Rebate Funds

The summary of these ADAP funding sources can be seen in Table 1 on page 5 of the 2022-23 ADAP November Estimate.

B. ADAP Utilization

In total, 30,367 individuals received ADAP services in FY 2020-21. OA expects total ADAP caseload to drop to 29,493 in FY 2021-22 and 28,031 in FY 2022-23 (Figure 1, ADAP Client Count Trend, 2022-23 ADAP November Estimate).

C. Pre-Exposure Prophylaxis (PrEP) Assistance Program (PrEP-AP) Utilization

In total, 3,918 individuals received PrEP-AP services in FY 2020-21. OA expects total PrEP-AP caseload to grow to 5,250 in FY 2021-22 and 5,656 in FY 2022-23 (Figure 3, ADAP PrEP-AP Clients Served, 2022-23 ADAP November Estimate).

D. Policy Changes (Assumptions) Impacting ADAP's Local Assistance budget Authority

The following New and Existing ADAP Policy Changes (Assumptions) are included in the 2022-23 November Estimate.

New Assumptions (5)

New Assumptions 1-4 describe changes to federal grant awards. New Assumption 5 reflects a policy change.

1. Decrease in Federal Funds: 2021 Ryan White Part B Supplemental Grant

Background: The Ryan White Part B Supplemental grant develops and/or enhances access to a comprehensive continuum of high-quality care and treatment services for low-income individuals living with HIV. The amount of each award is based on submitted data demonstrating the severity of the HIV

epidemic in the applicant's state/territory, co-morbidities, cost of care, and service needs of emerging populations.

Description of Change: On May 10, 2021, OA applied for the competitive 2021 Ryan White Part B Supplemental grant. OA requested the maximum amount of \$9 million, with \$8.9 million specifically for ADAP Local Assistance to be used in 2021-22. On September 1, 2021, OA received the notice of award for the 2021 Ryan White Part B Supplemental grant. The total award was \$1.9 million, 98.7 percent of which is ADAP Local Assistance (Table 4, Ryan White Part B Supplemental Funds, 2022-23 November Estimate).

Fiscal Impact and Fund Source(s): Decrease of \$651,000 in Local Assistance for 2021-22 and 2022-23. The fund impacted is the Federal Trust Fund (Fund 0890).

2. Decrease in Federal Funds: 2021 Ryan White Part B Grant

Background: The Ryan White Part B grant is the largest of the three federal grants for which ADAP receives funding and is a non-competitive grant. Grant funding is appropriated in five, 12-month budget periods that run from April 1 to March 31. Within the five-year funding cycle, funding from year to year is provided if the program remains eligible and submits timely on all reporting requirements.

On November 20, 2020, OA applied for the 2021 Ryan White Part B grant, the fifth year of the latest five-year funding cycle. The funding requested in the grant application totaled \$137.1 million, of which \$102.2 million (\$96.2 million in Local Assistance) was requested for the ADAP Branch.

Description of Change: On March 17, 2021, OA received the notice of award for the 2021 Ryan White Part B grant. The total award received was \$135.7 million, of which \$95 million is ADAP Local Assistance.

Fiscal Impact and Fund Source(s): Decrease of \$1.3 million in Local Assistance for 2021-22 and 2022-23. The fund impacted is the Federal Trust Fund (Fund 0890).

3. Decrease in Federal Funds: 2021 ADAP Emergency Relief Funds Grant (ADAP Shortfall Relief Grant)

Background: The ADAP Emergency Relief Funds grant (ADAP Shortfall Relief grant) is intended for states/territories that demonstrate the need for additional resources to prevent, reduce and/or eliminate ADAP waiting lists through implementation of cost-containment measures. OA's cost-containment

measures include maintaining data match agreements to ensure ADAP is the payer of last resort.

On October 26, 2020, OA applied for the maximum amount of \$7 million for the competitive 2021 ADAP Emergency Relief Funds grant (all Local Assistance).

Description of Change: On March 12, 2021, OA received the notice of award for the 2021 ADAP Emergency Relief Funds grant in the amount of \$5.3 million, all of which is Local Assistance (Table 5, ADAP Emergency Relief Funds (Shortfall Relief), 2022-23 November Estimate).

Fiscal Impact and Fund Source(s): Decrease of \$1.2 million in Local Assistance for 2021-22 and 2022-23. The fund impacted is the Federal Trust Fund (Fund 0890).

4. Increase in Federal Funds: 2020 Ryan White Part B Grant Carryover

Background: The Ryan White Part B grant is the largest of the three federal grants for which ADAP receives funding and is a non-competitive grant. Grant funding is appropriated in five, 12-month budget periods that run from April 1 to March 31. Within the five-year funding cycle, funding from year to year is provided if the program remains eligible and submits timely on all reporting requirements. Funding from the Ryan White Part B grant that is not fully expended by the end of the budget period can be carried over to the next budget period with approval from Health Resources and Services Administration (HRSA).

At the end of August 2021, OA closed out the 2020 Ryan White Part B grant with HRSA and applied for carryover funding. Upon closure of the grant, the amount of unspent funding was determined to be \$6.3 million, of which \$6 million in Local Assistance was requested for the ADAP Branch.

Description of Change: On October 27, 2021, OA received the carryover notice of award in the amount of \$6.3 million, of which \$6 million in Local Assistance is designated for the ADAP Branch. Carryover funding will be spent in 2021-22.

Fiscal Impact and Fund Source(s): Increase of \$6 million in Local Assistance for 2021-22. The fund impacted is the Federal Trust Fund (Fund 0890).

5. Medi-Cal Expansion: Age 50 and Older Regardless of Immigration Status

Background: The 2021-22 Governor's Budget expanded eligibility for full-scope Medi-Cal benefits to all persons aged 50 years and older, regardless of

immigration status. As the federal government only shares in the cost of restricted-scope services, this expansion is primarily funded by State resources.

California law allows eligible citizens and immigrants of any status to apply for comprehensive, or full-scope, Medi-Cal coverage if they are under age 25. Prior to this enactment, persons aged 25 and over with undocumented status could only apply for restricted-scope Medi-Cal.

Historically, only citizens and documented immigrants were eligible to apply for full-scope Medi-Cal. In 2016, the legislature authorized full-scope Medi-Cal coverage to undocumented persons age 18 and under. In 2020, coverage was expanded to ages 19 to 25. This latest budget enhancement adds ongoing funding of full-scope coverage for those aged 50 and over, regardless of immigration status.

Description of Change: Increasing the number of clients eligible for full-scope Medi-Cal will result in cost savings to ADAP. Existing clients who qualify for this expansion will be disenrolled from ADAP as these clients have no share of cost, no drug co-pays or deductibles, and no premiums. This change becomes effective May 1, 2022.

Fiscal Impact and Fund Source(s): Estimated savings for 2021-22 is \$8 million for 1,720 clients. Estimated savings for 2022-23 is \$48.6 million for 1,720 clients. The funds impacted are the ADAP Rebate Fund (Fund 3080) and Federal Trust Fund (Fund 0890).

Existing Assumptions (2)

1. ADAP Pilot Program for Jails

Background: Prior to 2008, 36 local county jails participated in the ADAP to provide medication assistance to qualifying detainees. The program was terminated in 2008 due to the elimination of funding from the State's General Fund. Subsequently, in 2018, HRSA released Policy Clarification Notice (PCN) 18-02, which permitted the use of HRSA funds for individuals who are currently detained in a county jail and are not yet convicted of a crime or are not covered by federal or state health benefits during the period of incarceration. Subsequent to the PCN release, Orange County requested that Public Health provide ADAP services at their county jail. The provision of ADAP support services for those not covered by federal or state health benefits expands outreach to a vulnerable population while ensuring continuity of care as clients navigate the judicial system.

In response to Orange County's request, OA initiated a pilot program with their county jail. OA, in coordination with the Department of Finance, may consider expanding the pilot program in the future to other interested county jails after careful consideration of the impact to the ADAP Rebate Fund both in the short and long term. The assumption was approved for the Orange County pilot program to continue through 2021-22.

Description of Change: OA requests that the ADAP jail pilot program be expanded to other interested county jails (Los Angeles, Marin, Riverside, San Francisco, San Luis Obispo, and Siskiyou) in 2022-23. OA would meet with the interested county jails to understand how the respective county jail operates and OA would determine if the jail would be suitable to be an ADAP jail enrollment site. Interested county jails would have to submit a new Enrollment Site Application, enter into a contract with OA, be added to the Pharmacy Benefits Manager Pharmacy Network, and complete the new enrollment worker training prior to enrolling eligible clients.

Fiscal Impact and Fund Source(s): The projected net fiscal impact of Orange County in 2021-22 is \$719,000 (\$1.1 million expenditures minus \$354,000 rebate) from serving 123 eligible clients. For 2022-23, the projected net fiscal impact of Orange County is \$317,000 (\$933,000 expenditures minus \$616,000 rebate) from serving 107 eligible clients. The projected net fiscal impact of the interested counties including Orange County in 2021-22 is \$11.7 million (\$17.4 million expenditures minus \$5.7 million rebate) from serving 1,998 eligible clients. For 2022-23, the projected net fiscal impact of the interested counties including Orange County in 2022-23 is \$5.1 million (\$15.1 million expenditures minus \$10 million rebate) from serving 1,733 eligible clients. The funds impacted are the ADAP Rebate Fund (Fund 3080) and Federal Trust Fund (Fund 0890).

2. U.S. Preventive Services Task Force (USPSTF) "A" Grade Recommendation on PrEP for Persons at High Risk of HIV Acquisition

Background: On June 11, 2019, the USPSTF gave the recommendation of an "A" grade for PrEP for persons who are at high risk of HIV acquisition. The USPSTF makes recommendations regarding the effectiveness of specific preventive care services for patients without obvious related signs or symptoms. The Patient Protection and Affordable Care Act states a medical insurer must cover and may not impose any cost sharing requirement for any evidence-based preventive items or services that have a grade of "A" or "B" in the current USPSTF recommendations. Federal regulations require plans and issuers to provide coverage for new recommended preventive services for plan/policy years beginning on or after the date that is one year from the date the relevant recommendation or guideline is issued. For most insurers, the USPSTF PrEP recommendation was implemented January 1, 2021.

Coverage requirements apply to most private plans, including individual, small group, large group, and self-insured plans in which employers contract administrative services to a third-party payer. Exceptions exist for certain religious employers and for plans that were in existence prior to March 23, 2010; these plans cannot make significant changes to their coverage (for example, increasing patient cost-sharing, cutting benefits, or reducing employer contributions).

Prior to the USPSTF recommendation, OA required PrEP-AP clients to enroll into Gilead's Co-payment Assistance Program to receive co-pay assistance with Truvada® and Descovy® as many health plans did not cover PrEP as a preventative service. In response to USPSTF's recommendation, the PrEP-AP changed its policy. It no longer requires clients to enroll into Gilead's Co-payment Assistance Program unless the client's health plan has yet to implement USPSTF's recommendation. PrEP-AP clients with private insurance enrolled in Gilead's Co-payment Assistance Program are eligible for PrEP medication co-payment assistance of \$7,200 per calendar year. After this threshold has been met, the PrEP-AP provides wrap-around coverage for any remaining PrEP medication co-payments for the remainder of the calendar year.

As the number of health plans implementing the USPSTF grows, PrEP-AP costs for insured clients are expected to drop.

Description of Change: As of January 1, 2021, all health plans regulated by the Department of Insurance and Department of Managed Health Care implemented the USPSTF recommendation. Self-insured employee health benefit plans not regulated by the Department of Insurance or Department of Managed Health Care, and health plans in existence prior to March 23, 2010, are not required to implement this recommendation.

Fiscal Impact and Fund Source(s): Estimated savings for 2021-22 is \$3.3 million for 2,316 fewer insured PrEP-AP clients. Estimated savings for 2022-23 is \$4.3 million for 3,292 fewer insured PrEP-AP clients. The fund impacted is the ADAP Rebate Fund (Fund 3080).