Fiscal Year (FY) 2022-23 May Revision
California Department of Public Health (Public Health), Office of AIDS (OA)

I. Summary/General Fund

Public Health/OA is pleased to announce that the May Revision 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).

The 2022-23 May Revision 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 2022 Governor's Budget included ADAP Local Assistance funding of $432.3 million, with no state General Fund appropriation. The revised current year 2021-22 budget is $410.7 million, a decrease of $21.6 million (5.0 percent) when compared to the 2022 Governor's Budget. The decrease is driven primarily by lower medication expenditures for medication-only (uninsured) clients and lower premium costs than previously estimated. Changes to ADAP's budget authority, when compared to the 2022 Governor's Budget, include:

- No change to the $108.2 million (0 percent) in Federal Funds
- Decrease of $21.6 million (6.7 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 $455.1 million, with no state General Fund appropriation, an increase of

$34.4 million (8.2 percent) when compared to the 2022 Governor's Budget. The increase is driven primarily by lower than previously estimated savings from the Medi-Cal expansion to individuals age 50 years and older. Changes to ADAP's budget authority, when compared to the 2022 Governor's Budget, include:

- Decrease of $3.3 million (3.2 percent) in Federal Funds
- Increase of $37.6 million (11.9 percent) in ADAP Rebate Funds

The summary of these ADAP funding sources can be seen in Table 1: Local Assistance Budget Authority, of the 2022-23 ADAP May Revision Estimate.

B. ADAP Utilization

In total, 30,367 individuals received ADAP services in FY 2020-21. OA expects total ADAP caseload to drop to 27,398 in FY 2021-22 and to grow to 28,932 in FY 2022-23 (Figure 1, ADAP Client Count Trend, 2022-23 ADAP May Revision 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 5,714 in FY 2021-22 and 6,941 in FY 2022-23 (Figure 3, ADAP PrEP-AP Clients Served, 2022-23 ADAP May Revision Estimate).

III. Assumptions with Changes Impacting ADAP's Local Assistance Budget Authority

The text from New and Existing ADAP Assumptions in the 2022-23 ADAP May Revision Estimate appears below.

New Assumptions (7)

NEW1. Impact of the Novel Coronavirus (COVID-19)

Background: On March 4, 2020, California declared a state of emergency in response to the COVID-19 pandemic. Shortly after, on March 19, 2020, California issued a Shelter-In-Place order. The order has had a tremendous impact on Californians, ranging from a sharp rise in unemployment to possible loss of comprehensive health coverage. For ADAP clients, the potential impact can be life threatening as people with a serious underlying medical condition, including those with compromised immune systems, are at higher risk for COVID-

19-related complications. To reduce COVID-19 exposure and the risk of clients falling out of HIV care, OA took steps so that ADAP clients would maintain their program eligibility. Those measures included allowing clients to enroll virtually with their enrollment worker and increasing the number of allowable medication dispenses, which would reduce the number of trips a client would need to make to the pharmacy.

In March 2020, ADAP saw a spike in medication costs following the first COVID-19 Shelter-In-Place orders. This initial spike was followed by a series of smaller magnitude increases and decreases through the end of the calendar year. After a short period of cost volatility at the beginning of the pandemic, OA saw a sustained drop in its ADAP client medication benefits caseload once COVID-19 automatic eligibility extensions ended in August 2020. Since March 2020, OA has also seen increases in its premium expenditures, as previously uninsured or underinsured clients enrolled in ADAP's premium assistance programs. However, after accounting for differences in insurance coverage, underlying trends, seasonal variation, and other cost drivers, total costs continued to be lower than expected.

On January 28, 2021, Covered California announced it would join President Biden in responding to the COVID-19 pandemic by announcing a special enrollment period to help people obtain insurance coverage. Effective February 1, 2021, through May 15, 2021, anyone uninsured and eligible to enroll in health care coverage through Covered California could sign up. On February 2, 2021, President Biden signed the federal mandate Public Charge Executive Order in an effort to remove barriers to the legal immigration system.

The expansion of Covered California's enrollment period and the increased accessibility to public benefits are believed to have contributed to the overall reduction in the size of ADAP's uninsured client caseload.

Description of Change: Given the sustained shifts in ADAP caseload since March 2020, OA expects the COVID-19 cost impacts to medication and insurance assistance programs to continue long term. Cost savings have been primarily driven by lower than expected uninsured caseload volume and shifts in insurance coverage (caseload mix) for clients using ADAP medication benefits. Decreases in ADAP's uninsured caseload and associated cost savings have greatly exceeded any cost increases associated with medication prices and increases to ADAP's insurance assistance caseload.

Discretionary: No

Reason for Adjustment/Change:

- Federal mandate

Fiscal Impact and Fund Source(s): Estimated savings for 2021-22 is $12.3 million, broken down as follows: $18 million for 561 fewer medication benefit clients per month, offset by a cost increase of $5.7 million for 1,255 additional monthly premium assistance clients. Estimated savings for 2022-23 is $9.1 million, broken down as follows: $13.8 million for 537 fewer medication benefit clients per month, offset by a cost increase of $4.7 million for 1,279 additional monthly premium assistance clients. The funds impacted are the Federal Trust Fund (Fund 0890) and ADAP Rebate Fund (Fund 3080).

NEW2. Payment of Medicare Part C Premiums (plus Expansion)

Background: ADAP pays private health insurance premiums and outpatient medical out-of-pocket costs for ADAP clients co-enrolled in the Office of AIDS Health Insurance Premium Payment Program (OA-HIPP), Medicare Part D Premium Payment Program (MDPP), and the Employer Based Health Insurance Premium Payment Program (EB-HIPP). When ADAP clients become eligible for Medicare, they must enroll in Medicare to help ensure ADAP is the payer of last resort. Only clients enrolled in a Medicare Part D health plan may receive insurance premium and outpatient medical out-of-pocket assistance through MDPP; MDPP clients can also request Medicare Supplemental (Medigap) Plan premium assistance. In contrast, clients who enroll in a Medicare Part C plan receive no premium or medical out-of-pocket cost assistance through ADAP, which creates a lack of parity in ADAP's Medicare services.

Medicare Part C, also known as Medicare Advantage, is a bundled insurance plan that includes hospital (Medicare Part A), medical (Medicare Part B) and prescriptions (Medicare Part D). According to HRSA Policy Clarification Notice (PCN) 18-01, Ryan White HIV/AIDS Program grant recipients may use funds to pay premiums and/or cost sharing when the Medicare Part C plan includes prescription drug coverage; or in conjunction with paying for Medicare Part D premiums and cost sharing for plans that do not include prescription drug coverage.

ADAP proposes to use ADAP rebate funds to establish the Medicare Part C Premium Payment Program and pay for Medicare Part C premiums for eligible ADAP clients.

Description of Change: To provide sufficient time for discovery, coordination with ADAP's contractors, and seamless program implementation, OA will start implementing processes for the Medicare Part C Payment Program in 2022-23.

Discretionary: Yes

Reason for Adjustment/Change:

- Encourage more ADAP clients to enroll into comprehensive health coverage, which will result in an overall reduction in ADAP expenditures
- Improve the overall health of PLWH in California because clients will have comprehensive hospital coverage
- Continue supporting health insurance coverage for ADAP clients as they become eligible for Medicare
- Align Medicare Part C with other health insurance premium payment programs

Fiscal Impact and Fund Source(s): There are no estimated costs for 2021-22 due to the 2022-23 implementation date. Estimated cost for 2022-23 is $1.7 million for 780 eligible clients. The fund impacted is the ADAP Rebate Fund (Fund 3080).

NEW3. Payment of Medicare Part C Medical Out-of-Pocket Costs

Background: In addition to paying private health insurance premiums for ADAP clients co-enrolled in the OA-HIPP, EB-HIPP, and MDPP programs, ADAP also pays for outpatient medical out-of-pocket costs. ADAP proposes to pay for outpatient medical out-of-pocket costs for clients co-enrolled in the Medicare Part C Premium Payment Program.

Health and Safety Code (HSC) Section 120955 (i) states that the department may subsidize, using available federal funds and monies from the ADAP rebate fund, costs associated with a health care service plan or health insurance policy, including medical co-payments and deductibles for outpatient care, and premiums to purchase or maintain health insurance coverage.

ADAP proposes to use ADAP rebate funds to establish the Medicare Part C Premium Payment Program and pay for Medicare Part C outpatient medical out-of-pocket costs for eligible ADAP clients.

Description of Change: To provide sufficient time for discovery, coordination with ADAP's contractors, and seamless program implementation, OA will start implementing processes for the Medicare Part C Payment Program in 2022-23.

Discretionary: Yes

Reason for Adjustment/Change:

- Establish equitable benefits for ADAP's insurance assistance programs
- Continue supporting health insurance coverage for ADAP clients as they become eligible for Medicare

Fiscal Impact and Fund Source(s): There are no estimated costs for 2021-22 due to the 2022-23 implementation date. Estimated cost for 2022-23 is $239,000 for 300 eligible clients. The fund impacted is the ADAP Rebate Fund (Fund 3080).

NEW4. Medicare Coverage of Extra and Innovative Supplemental Plans

Background: Original Medicare consists of Part A (hospitalization) and Part B (medical insurance). Medicare Part B covers 80 percent of costs that clients incur after meeting their annual deductible. Medicare Supplemental (Medigap) plans assist with the remaining 20 percent of costs.

There are varying levels of coverage for Medicare supplemental plans (A-N), with plans F and G being the most comprehensive. The most comprehensive plans also offer "Extra" or "Innovative" benefits to cover services outside of the base medical coverage. For example, Extra/Innovative plans may cover the costs of hearing aids, vision exams, Silver Sneaker gym memberships, 24/7 nurse consultations, and many other services. Due to various advancements in HIV care and treatment, PLWH are living longer. Extra and Innovative plans would be a public health benefit for our aging population by offering services that may mitigate future non-HIV related care. For example, Silver Sneaker gym memberships can decrease social isolation and help improve cardiovascular and bone health.

The MDPP began paying Medicare Part B supplemental medical plan premiums June 1, 2018. Effective July 1, 2020, SB 407 (Chapter 549, Statutes of 2019), requires Extra and Innovative benefits to be separated on all Medicare supplemental billing statements. MDPP pays for Medicare Part D premiums, Part B out-of-pocket costs, and the base premium for supplemental plans. Supplemental plans with Extra or Innovative benefits included may have lower total premium costs compared to identical supplemental plans that do not include the additional benefits. Clients are required to cover the nominal costs for Extra or Innovative benefits.

ADAP proposes to use ADAP rebate funds to pay Medicare Part B supplemental plan premiums including the Extra and Innovative benefits.

Description of Change: To provide sufficient time for discovery, coordination with ADAP's contractors, and seamless program implementation, OA will start implementing processes for the coverage of Extra or Innovative benefits in 2022-23.

Discretionary: Yes

Reason for Adjustment/Change:

- Improve the overall health of PLWH in California as additional plan benefits offer a more holistic approach to healthcare
- More plan choices improve access to care
- Continue supporting health insurance coverage for ADAP clients as they become eligible for Medicare

Fiscal Impact and Fund Source(s): There are no estimated costs for 2021-22 due to the 2022-23 implementation date. Estimated cost for 2022-23 is $899,000 for 268 eligible clients. The fund impacted is the ADAP Rebate Fund (Fund 3080).

NEW5. PrEP and PEP Initiation and Retention Initiative (PPIRI)

Background: ADAP received statutory and budgetary authority through the 2016 Budget Act to provide services to HIV-negative persons at risk for acquiring HIV. Statutory authority is codified in HSC Section 120972 and allows OA to implement the PrEP-AP to assist both insured and uninsured individuals who meet eligibility requirements. The PrEP-AP helps with PrEP-related and non-occupational PEP-related medical out-of-pocket costs, and access to medications on the PrEP-AP formulary for the prevention of HIV and treatment of sexually transmitted infections.

In 2021, AB 133 (Committee on Budget, Chapter 143, Statutes of 2021) added language allowing allocation of ADAP funds for PrEP and PEP navigation and retention. AB 133 allows ADAP to fund local health departments and community-based organizations, to the extent that funds are available, for PrEP and PEP navigation and retention coordination and related services. Funded activities may include: outreach and education; community messaging; assistance with applying for and retaining health coverage; assistance with enrollment in PrEP and PEP financial assistance programs; care coordination and adherence support; financial assistance for transportation costs; and linkage to behavioral health, substance use, housing, and other social service programs.

Description of Change: Planning and development of a competitive solicitation is underway. Stakeholder engagement is planned for early 2022 to assess capability, interest, and need. The solicitation is tentatively planned for release in the summer of 2022 and agreements with approved entities would commence January 2023. This project has been named the PrEP and PEP Initiation and Retention Initiative (PPIRI) to avoid confusion with CDPH/OA HIV Prevention Branch PrEP Navigation projects.

Discretionary: No

Reason for Adjustment/Change:

- Legislative requirement

Fiscal Impact and Fund Source(s): There is no estimated cost for 2021-22 due to the 2022-23 implementation date. The total estimated cost for 2022-23 is $4.8 million ($3.7 million for 25 staff and operating expenses; $929,000 for variable costs (example: PrEP starter packs); $10,000 for indirect costs; and $203,000 for 68 new PrEP-AP clients, inclusive of medication and medical-out-of-pocket costs). The fund impacted is the ADAP Rebate Fund (Fund 3080).

NEW6. Potential Change in Federal Funds: 2022 Ryan White Part B Grant

Background: The Ryan White Part B grant is a non-competitive grant and the largest of the three federal grants for which ADAP receives funding. 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 all reporting requirements in a timely manner.

Description of Change: On November 8, 2021, OA applied for the 2022 Ryan White Part B grant, the first year of the newest five-year funding cycle. The total funding requested in the grant application is $135.8 million, of which $95 million is designated ADAP Local Assistance. On March 22, 2022, OA received a notice of partial award for the 2022 Ryan White Part B grant in the amount of $49 million, of which $35 million is ADAP Local Assistance. The estimate accounts for the partial award of $35 million, and the remaining portion of the award will be accounted for in the 2023-24 Governor's Budget.

Discretionary: Yes

Reason for Adjustment/Change:

- Fully leverage federal funding

Fiscal Impact and Fund Source(s): The fiscal impact is currently unknown. The fund impacted is the Federal Trust Fund (Fund 0890).

NEW7. Decrease in Federal Funds: 2022 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 help ensure ADAP is the payer of last resort.

The following table displays the historical grant application amounts for which OA applied, and the total funds awarded per grant budget period:

Table 4: ADAP Emergency Relief Funds (Shortfall Relief) Grant		
Grant Budget Period	**Application Amount**	**Total Funds Awarded**
2018 (04/01/2018 – 03/31/2019)	$11,000,000	$11,000,000
2019 (04/01/2019 – 03/31/2020)	$11,000,000	$11,000,000
2020 (04/01/2020 – 03/31/2021)	$10,000,000	$6,537,311
2021 (04/01/2021 – 03/31/2022)	$7,000,000	$5,307,130
2022 (04/01/2022 – 03/31/2023)	$7,000,000	$2,049,483

Description of Change: On October 25, 2021, OA applied for the maximum amount of $7 million for the competitive 2022 ADAP Emergency Relief Funds grant, all of which is designated ADAP Local Assistance. On February 23, 2022, OA received the notice of award for the 2022 ADAP Emergency Relief Funds grant in the amount of $2 million (all Local Assistance).

Discretionary: Yes

Reason for Adjustment/Change:
- Competitive funding opportunity
- Prior funding does not guarantee that funding will be provided in the future

Fiscal Impact and Fund Source(s): Decrease of $3.3 million in Local Assistance for 2022-23. The fund impacted is the Federal Trust Fund (Fund 0890).

Existing Assumptions (2)

EX1. 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 years 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 for undocumented persons aged 18 years and under. In 2020, full-scope Medi-Cal coverage for those with undocumented status was expanded to ages 19 to 25. This latest budget enhancement adds ongoing funding for full-scope Medi-Cal coverage for anyone aged 50 years and over, regardless of immigration status.

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.

ADAP has established outreach and communication plans so that clients and enrollment workers are informed of the new Medi-Cal eligibility criteria and that enrollment workers use the updated criteria to confirm ADAP eligibility. For new clients, eligibility is determined at the initial enrollment. Existing clients who may qualify for this expansion will be notified by mail and their Medi-Cal eligibility will be confirmed by their re-enrollment deadline (client's birthday).

Description of Change: ADAP serves approximately 2,016 uninsured clients between the ages of 50 and 64 years old who could potentially become newly Medi-Cal eligible. ADAP expects that 50 percent of these clients will transition to Medi-Cal starting in late 2021-22. Those remaining, who are newly eligible, will transition to Medi-Cal throughout 2022-23.

Discretionary: No

Reason for Adjustment/Change:

- Statutory requirement

Fiscal Impact and Fund Source(s): Estimated savings for 2021-22 is $4.8 million for 1,023 clients. Estimated savings for 2022-23 is $29 million for 2,045 clients. The funds impacted are the ADAP Rebate Fund (Fund 3080) and Federal Trust Fund (Fund 0890).

EX2. 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 PCN 18-02, which permitted the use of HRSA funds for individuals who are detained in a county jail and are not yet convicted of a crime or are not covered by federal or state health benefits. After the PCN release, Orange County asked CDPH to provide ADAP services at their county jail.

Providing ADAP services to jail detainees expands outreach to a vulnerable population while ensuring continuity of care for those navigating the judicial system. Incarcerated clients who meet ADAP eligibility requirements can enroll in ADAP with the help of a certified enrollment worker from the county jail, which must be approved as an enrollment site. New and existing clients can access medication at the jail pharmacy, thus maximizing potential adherence to medicinal regimens. Additionally, the jail pharmacy can provide a prescription refill to clients scheduled for release, ensuring the client has a supply of medication available until they can access ADAP services through a more traditional enrollment site.

In response to Orange County's request, OA initiated a pilot program in 2021-22 with their county jail. OA, in consultation 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.

Description of Change: OA will meet with the other interested county jails in the summer of 2022 to understand how they address the transitional needs of PLWH who have been incarcerated. OA will then determine if the respective jails would be a suitable ADAP jail enrollment site. Prior to enrolling eligible clients, interested county jails will 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. As OA intends to engage with the other interested counties and implement new pilots in 2022-23, no funding will be necessary for 2021-22 associated with expansion of ADAP's Pilot Program for Jails to the other interested counties.

Discretionary: Yes

Reason for Adjustment/Change:

- HRSA PCN 18-02, which permits the use of funds for individuals who are currently detained in a county jail
- Treatment and suppression of HIV/AIDS and HIV/AIDS-related opportunistic infections among high-risk individuals
- Effective outreach to underserved populations
- Continuity of care

Fiscal Impact and Fund Source(s): The projected fiscal impact of Orange County in 2021-22 is $1.1 million from serving 123 eligible clients. For 2022-23, the projected fiscal impact of Orange County is $933,000 from serving 107 eligible clients. For 2022-23, the projected fiscal impact of six interested counties including Orange County in 2022-23 is $15.1 million from serving 1,733 eligible clients. The funds impacted are the ADAP Rebate Fund (Fund 3080) and Federal Trust Fund (Fund 0890).