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HIV/AIDS Programs (DHS -- Other Health Programs and Departmentwide)

[LFB 2013-15 Budget Summary: Page 247, #2]

CURRENT LAW

The Department of Health Services (DHS) administers programs that provide assistance to individuals who have been diagnosed with HIV/AIDS, including the AIDS drug assistance program (ADAP), the health insurance premium subsidy programs, and several programs that provide community-based HIV/AIDS services.

ADAP reimburses pharmacies for certain drugs provided to program participants who meet certain financial and disease-related criteria. The program is funded by GPR, federal funds the state receives under the Ryan White program, Medicaid, private insurance payments, and rebates received by the state from drug manufacturers, which is budgeted as program revenue (PR). The health insurance premium subsidy program funds premiums for coverage under group and individual insurance policies for individuals who reduced or terminated employment due to an HIV/AIDS infection.

The funding changes in the bill relate to the ADAP and health insurance subsidy programs. However, DHS also administers several programs that provide community-based HIV/AIDS services that are partially funded from the same GPR appropriation as the ADAP and premium subsidy program. DHS distributes Mike Johnson life care and early intervention services grants to the AIDS Resource Center of Wisconsin and the AIDS Network (the state's two AIDS service organizations (ASOs)) to fund case management, support services, and core medical services. Federal funding is also provided to the two ASOs and community-based organizations to provide individuals with HIV/AIDS with a range of health care and support services. Finally, DHS distributes federal funds and GPR to local agencies for targeted prevention and education activities.

Table 1 shows the GPR allocated for each HIV/AIDS subprogram in 2012-13.

TABLE 1

GPR Base Funding for HIV/AIDS Programs

	Amount
Mike Johnson Life Care and Early Intervention Grants	$3,527,000
Health Insurance Premium Subsidies	1,082,200
HIV Prevention and Education	919,700
AIDS Drug Assistance Program	224,000
Total	$5,752,900

GOVERNOR

Provide $2,637,000 (-$64,500 FED and $2,701,500 PR) in 2013-14, and $11,276,500 ($5,039,300 GPR, $80,200 FED, and $6,157,000 PR) in 2014-15 to fund projected costs of ADAP and the health insurance premium subsidy program in the 2013-15 biennium.

DISCUSSION POINTS

1. As of December 31, 2012, there were 6,549 individuals with reported cases of HIV/AIDS living in Wisconsin. In 2012, 241 Wisconsin residents were diagnosed with HIV or AIDS. Rates of HIV/AIDS infection and diagnosis vary greatly among populations and areas of the state.

2. ADAP pays for certain drugs provided to HIV-positive Wisconsin residents with family income under 300% of the federal poverty level (FPL). In 2013, 300% of the FPL is $34,470 annually for an individual and $46,530 annually for a couple. In 2011-12, 1,771 individuals received assistance under ADAP. The health insurance premium subsidy program subsidizes private insurance premiums for individuals with family income under 300% of the FPL, if they have an HIV-related condition that required them to reduce or end their employment. In 2011-12, 662 individuals participated in the insurance subsidy program, all of whom were enrolled in ADAP.

3. DHS projects ADAP and insurance subsidy program costs will total approximately $27.3 million (all funds) in 2013-14, and approximately $32.5 million (all funds) in 2014-15. This assumes a 20.1% increase in ADAP costs, which is equal to the 10-year average growth rate, and a 15.6% increase in insurance subsidy program costs, which is equal to the six-year average growth rate. Table 2 shows the actual expenditures for the two programs for 2011-12, and the projected costs for 2012-13 through 2014-15.

TABLE 2

ADAP and Insurance Subsidy Program Expenditures

	Actual	Projected		
	2011-12	2012-13	2013-14	2014-15
ADAP Medications	$15,247,400	$18,312,100	$21,992,900	$26,413,500
Health Insurance Premium Subsidies	3,788,200	4,379,200	5,062,300	5,852,000
State Staff	178,400	178,400	178,400	178,400
ADAP Data Systems Upgrade	0	505,000	20,000	20,000
Total Expenses	$19,214,000	$23,374,700	$27,253,600	$32,463,900

4. These programs are supported by GPR, federal Ryan White grants funds, rebates on ADAP drug purchases, and Medicaid or other insurance payments. Table 3 provides the actual revenues for the ADAP and insurance subsidy programs for 2011-12, and the projected revenues for 2012-13 through 2014-15. These revenues projections are based on certain assumptions of revenue growth in the current fiscal year, and the upcoming biennium, including the assumption that Ryan White funding for ADAP will increase by 3% per year.

TABLE 3

Revenue Sources, ADAP and Insurance Subsidy Program

	Actual	Projected		
	2011-12	2012-13	2013-14	2014-15
Drug Rebates	$10,738,500	$13,367,900	$16,054,800	$19,281,800
Ryan White Grant Funds (FED)	5,338,700	5,482,900	5,623,300	5,768,000
GPR (Base)	1,306,200	1,306,200	1,306,200	1,306,200
Medicaid/Private Insurance Refunds	263,500	549,400	659,800	792,400
Federal ADAP Funds (FED)	180,300	385,300	180,300	180,300
Total Available	$17,827,200	$21,091,700	$23,824,400	$27,328,700

5. Table 4 shows projected revenues, expenditures, and balances for the ADAP and premium assistance programs, based on the administration's budgeting assumptions.

TABLE 4

ADAP and Insurance Subsidy Program Revenues, Expenditures and Balances

	Actual	Projected		
	2011-12	2012-13	2013-14	2014-15
Opening Balance	$7,195,100	$5,808,300	$3,525,300	$96,100
Revenues	17,827,200	21,091,700	23,824,400	27,328,700
Expenditures	19,214,000	23,374,700	27,253,600	32,463,900
Closing Balance	$5,808,300	$3,525,300	$96,100	-$5,039,100

6. As shown in Table 4, expenditures exceed revenues for the ADAP and insurance subsidy programs. DHS has managed this imbalance by drawing down drug rebate revenue balances that have accrued in past years. However, the balance of these program revenues is projected to be fully expended in 2014-15, resulting in the need for the GPR funding increase in the bill.

7. ADAP and the insurance premium subsidy programs are not entitlement programs, and the amount of services provided is limited by available funds. Without addressing the shortfall identified above, DHS would need to either change the way the program is administered (by implementing waitlists, reducing the number of drugs offered by the program, or proposing legislation to reduce program eligibility), or reallocate funding within the HIV/AIDS program (for instance, from the grants for community-based services), seeking supplemental funding through s. 13.10 of the statutes, or some combination of those options. Making changes to reduce services provided by ADAP, the insurance subsidy program, or the community-based allocations would adversely affect individuals with HIV/AIDS infection who rely on these programs for treatment.

8. The bill would provide an additional $5,039,300 GPR in 2014-15. This funding would address the revenue shortfall, and increase GPR base funding that would be available to support HIV/AIDS programs for the 2015-17 biennium. The bill also increases funding by $2,637,000 (-$64,500 FED and $2,701,500 PR) in 2013-14, and $6,237,200 ($80,200 FED, and $6,157,000 PR) in 2014-15 to reflect projections of PR and FED that would be generated or allocated for the HIV/AIDS programs in the 2013-15 biennium.

9. The Committee could approve the Governor's proposal (Alternative 1). This would provide sufficient funding, under the administration's revenue and cost assumptions, to support all projected ADAP and insurance subsidy expenditures in the 2013-15 biennium. If the structural imbalance between revenues and expenditures in the HIV/AIDS programs continues in the 2013-15 biennium, additional GPR would be required to meet expenditure needs (or DHS would need to make programmatic changes, such as implementing a waitlist for services). If revenues exceed current projections, or program costs are less than expected, less GPR may be needed to support program costs.

10. One issue that the Committee may wish to consider is the administration's projections related to federal grant funding. The revenue projections rely on an assumption that Ryan White ADAP grant funds will increase by 3% in each year of the upcoming biennium. This would appear reasonable, based on the recent history of the program. However, as with other federal grants administered by DHS, Ryan White grant funds are subject to reductions under provisions of the federal Budget Control Act, commonly referred to as "sequestration."

11. Based on information from the Office of Management and Budget, and the National Alliance of State and Territorial AIDS Directors, it is anticipated that Ryan White grant allocations will be reduced by approximately 5% per year. A 5% decrease to the current level of Ryan White grant funds, rather than a 3% annual increase, would increase the projected program deficit by the end of the 2013-15 biennium from $5.0 million to $5.9 million.

12. If the Committee wanted to offset the anticipated reduction in federal funding with state GPR, it could provide an additional $894,000 GPR ($278,800 in 2013-14 and $615,200 in 2014-15) for ADAP and the insurance subsidy program and reduce estimated FED funding by corresponding amounts (Alternative 2).

13. The effect of private insurance changes in the Patient Protection and Affordable Care Act (ACA), and the closing of the state's high-risk pool, the Health Insurance Risk-Sharing Plan (HIRSP), would likely affect the state's HIV/AIDS programs, although the effect of these changes on demand for program services is unknown. Most of the participants in the insurance subsidy program currently enroll in HIRSP, as a HIV/AIDS diagnosis is one way to qualify for that program. After January 1, 2014, HIRSP coverage would no longer be available (assuming that budget provision recently adopted by the Committee is approved by the full Legislature), but certain ACA provisions will be available, such as guaranteed issue of private coverage and subsidies for health insurance premiums and cost-sharing requirements. If ADAP participants access subsidized coverage through the health insurance exchanges in 2014, this may reduce costs for that program. Due to the uncertainty of future demand for services, the Committee may not wish to increase funding in the bill, above the amount recommended by the Governor.

14. Finally, the Committee could delete the GPR funding increase in the bill (Alternative 3). As described above, the ADAP and insurance subsidy programs would not have sufficient revenues to support projected expenditures. To continue to meet program demand, DHS would need to make programmatic changes, reallocate funding from other HIV/AIDS programs, or take other actions to address any shortfall.

ALTERNATIVES

1. Adopt the Governor's recommendations.

2. Provide an additional $278,800 GPR in 2013-14 and $615,200 GPR in 2014-15 to offset anticipated decreases in federal Ryan White funding due to federal sequestration. Reduce federal funding estimates by corresponding amounts.

ALT 2	Change to Bill Funding
GPR	$894,000
FED	- 894,000
Total	$0

3. Delete the additional GPR funding that would be provided to support projected program costs.

ALT 3	Change to Bill Funding
GPR	- $5,039,300

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