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May 17, 2007 Joint Committee on Finance Paper #412

HIV/AIDS Program (DHFS -- Health)

Base Section

[LFB 2007-09 Budget Summary: Page 309, #3 and Page 310, #4]

CURRENT LAW

The Department of Health and Family Services (DHFS) administers the state's HIV/AIDS program, which includes the following: (1) the AIDS drug assistance program (ADAP); (2) the insurance premium subsidy program; (3) the Mike Johnson life care and early intervention services grants; and (4) other services provided to individuals with, or at risk of contracting HIV infection. Total GPR base funding for the state's HIV/AIDS program in 2006-07 is $4,708,800.

ADAP. The AIDS drug assistance program reimburses pharmacies for certain HIV/AIDS medications they provide to program enrollees. In order to be eligible for ADAP, a person must satisfy all the following criteria: (1) be a Wisconsin resident; (2) have a physician certify they have an HIV infection; (3) have a prescription issued by a physician for HIV/AIDS medications approved for reimbursement under the program; (4) have applied for and been denied eligibility for medical assistance within 12 months prior to applying for reimbursement under ADAP; (5) have no insurance coverage, or inadequate insurance coverage for the HIV/AIDS medications approved for reimbursement under ADAP; and (6) have annual gross household income not in excess of 300% of the federal poverty level.

Funding for ADAP comes from several different sources, including GPR ($464,000 in 2006-07), rebates received from drug manufacturers (an estimated $2,641,400 in 2006-07), federal funding through the Ryan White grant program ($3,447,800 in 2006-07), and funding from Medicaid and other insurance reimbursements (an estimated $369,800 in 2006-07).

HIV/AIDS Insurance Premium Subsidy Program. The insurance premium subsidy program subsidizes the cost of insurance premiums under group and individual health insurance policies for Wisconsin residents in families with incomes that do not exceed 300% of the federal poverty level who are either: (1) unable to continue their employment or who must reduce their work hours because of an illness or medical condition related to their HIV infection; or (2) on unpaid medical leave from their employment because of an illness or medical condition related to their HIV infection and who are covered by a group health insurance plan through their employer for which they pay part or all of the premium. In 2006-07, the HIV/AIDS insurance premium subsidy program is funded through GPR ($640,600), a transfer of $575,000 of Ryan White ADAP grant funds, and by ADAP drug rebate funds.

Mike Johnson Life Care and Early Intervention Services Grants. Under current law, DHFS is directed to award not more than $2,569,900 GPR in 2006-07 and each fiscal year thereafter to applying organizations for the provision of needs assessments, assistance in procuring financial, medical, legal, social and pastoral services, counseling and therapy, homecare services and supplies, advocacy, and case management services. In 2006-07, DHFS awarded a total of $2,569,900 to two AIDS service organizations (ASOs), the AIDS Resource Center of Wisconsin (ARCW) and the AIDS Network.

HIV Prevention. The state's HIV/AIDS program also provides funding to local agencies to provide general and targeted prevention education to the public and individuals at risk for HIV disease, including individual, group, and community focused education and risk education, counseling, testing, and referral services, partner counseling and referral services, and community planning. In 2006-07, $1,034,300 GPR is budgeted for these HIV prevention services.

GOVERNOR

Increase funding by $2,563,000 GPR in 2008-09 to fund projected cost increases in ADAP and the HIV/AIDS insurance premium subsidy program, and to provide an additional $1,000,000 in Mike Johnson grants to ASOs in 2008-09.

Create a three-year pilot project, under which DHFS would pay the insurance premiums for health insurance coverage under the health insurance risk sharing plan (HIRSP) for up to 100 individuals currently enrolled in ADAP. Further, direct DHFS to pay the prescription drug copayments under HIRSP for individuals in the pilot project with respect to HIV/AIDS medications eligible for reimbursement under ADAP. Provide that persons who participate in the pilot project are not ineligible for coverage under HIRSP, even though DHFS would be paying HIRSP insurance premiums and prescription drug copayments on their behalf.

DISCUSSION POINTS

1. In a letter to the Co-chairs of the Joint Committee on Finance dated March 19, 2007,

the administration modified its recommendations regarding the HIRSP pilot project to specify that the project would start January 1, 2008, and that the minimum number of participants in the project would be 100, with more people to be transferred from ADAP to HIRSP if it is found to be cost-effective to do so. The administration's March 19, 2007, letter also requested a change to the statutes that would direct DHFS to award not more than $3,569,900 annually in Mike Johnson life care and early intervention services grants, consistent with the Governor's recommendation to increase funding for those grants by $1,000,000 in 2008-09.

The HIV/AIDS Program without the HIRSP Pilot Project

2. Discussion Points 2 through 21 address the Governor's recommendations for funding the state's HIV/AIDS program, before considering the estimated fiscal impact of the HIRSP pilot project.

3. The Governor's bill would provide an additional $2,563,000 GPR in 2008-09 to fund the state's HIV/AIDS program. This additional funding would be used to fund projected cost increases in ADAP, the insurance premium subsidy program, and to provide an additional $1,000,000 in Mike Johnson grants to ASOs, beginning in 2008-09.

4. The administration has recently revised many of the estimates it used to project the GPR funding recommendations in the bill. On balance, these revised estimates reduce the amount of GPR the administration projects will be required to fully fund the state's HIV/AIDS program.

5. First, the administration has been advised that the amount of federal funds the state will receive through the Ryan White grant program during the 2007-09 biennium will be $1,951,900 greater than the administration initially projected.

6. Second, the administration, based on more recent program experience, has revised upward its estimate of the rebates the state will receive from drug manufacturers for the HIV/AIDS medications the state purchases under ADAP. The administration now estimates those rebates will equal 40%, rather than 35% as initially estimated. While DHFS staff has been informally advised that the Health Resources and Services Administration of the U.S. Department of Health and Human Services may initiate administrative rule proceedings that could decrease that rebate percentage at some time in the future, no formal administrative action has yet been taken. Given the uncertainty regarding the timing and magnitude of any such potential rule change, this paper utilizes the administration's revised rebate assumption of 40% for fiscal years 2007-08 and 2008-09.

7. The administration has also reduced its cost estimate for the insurance premium subsidy program due to lower-than-anticipated expenditures in 2006-07. Specifically, the administration now estimates that program's 2006-07 expenditures will increase by 9% over 2005-06, rather than 23% as initially estimated.

8. Partially offsetting these positive revisions is the administration's projection that ADAP expenditures in 2006-07 will be approximately $1.2 million higher than initially estimated for purposes of the Governor's budget recommendations. This revision is based on the

administration's review of more current expenditure data.

9. One additional adjustment should be made to the administration's initial estimates. The Governor's bill assumes that costs in the insurance premium subsidy program will increase by 23% in both 2007-08 and 2008-09. That assumption is significantly higher than the administration's revised estimate for that program's costs in 2006-07 (a 9% increase over 2005-06). The administration's projection also appears high in light of the HIRSP Authority's indication that premiums for health insurance coverage under its Plan 1A will increase by an average of 7.4% for the remainder of calendar year 2007 and through calendar year 2008, and premiums for coverage under its Plan 2 will decrease by 20% during that same period. Combined, nearly 40% of the participants in the state's HIV/AIDS insurance premium subsidy program have insurance coverage through one of those HIRSP plans. Based on these factors, a reasonable, albeit still conservative estimate, is that costs in the insurance premium subsidy program will increase by 15% annually during the 2007-09 biennium, rather than by 23% as currently projected by the administration.

10. Table 1 shows the amount of additional GPR needed to fully fund the "base" HIV/AIDS program during the 2007-09 biennium using the administration's recent revisions, as well as the additional adjustment regarding the projected costs of the insurance premium subsidy program, as described above. Table 1 does not reflect the HIRSP pilot project recommended by the Governor, nor does it reflect the Governor's recommendation to increase the Mike Johnson grants by $1 million beginning in 2008-09. Under the modified assumptions contained in Table 1, $15,400 additional GPR (relative to base) would be required in 2008-09 to fully fund the state's HIV/AIDS program. The Committee's option to fund the program at this level is Alternative 1.

TABLE 1

Revised Estimate for the HIV/AIDS Program, 2007-08 and 2008-09
(Without HIRSP Pilot Project)

	2007-08	2008-09
Revenue		
ADAP-GPR Base	$464,000	$464,000
Ryan White-FED	4,290,900	4,376,700
MA Refunds	436,000	425,100
Drug Rebates	3,114,500	3,663,300
Insurance Program - GPR Base	640,600	640,600
Total Revenue	$8,946,000	$9,569,700
Expenditures		
ADAP	$7,786,300	$9,158,300
Insurance	2,214,800	2,547,000
Salaries	198,300	203,300
Total Expenditures	$10,199,400	$11,908,500
Difference	-$1,253,400	-$2,338,800
Rebate Carryover '07	$3,576,800	$0
Rebate Carryover '08	0	2,323,400
Balance	$2,323,400	-$15,400

11. As noted, the Governor's bill would also provide $1 million additional GPR for Mike Johnson grants beginning in 2008-09. Under current law, DHFS is directed to award up to $2,569,900 in Mike Johnson grants to applying organizations for the provision of needs assessments; assistance in procuring financial, medical, legal, social and pastoral services; counseling and therapy; homecare services and supplies; advocacy; case management, and early intervention services.

12. Beginning in 1997, the Department has selected an ASO to serve as the lead agency in each of the Department's five regional service areas. The AIDS Resource Center of Wisconsin (ARCW) was selected as the lead agency for the Department's northern, northeastern, southeastern, and western regions, while the AIDS Network was selected as the lead ASO for the Department's southern region. Both ASOs continue to serve in those respective roles.

13. ARCW is the state's largest ASO, and provides a range of services to more than 2,500 people living with HIV in Wisconsin. ARCW currently has offices in Appleton, Eau Claire, Green Bay, Kenosha, La Crosse, Madison, Milwaukee, Superior, and Wausau.

14. By the end of 2009, ARCW projects substantial increases in the number of individuals who will receive medical services, mental health, and dental services through ARCW. The agency also projects increases in the number of clients for whom it will provide social case work management, housing, and legal services. ARCW's projections are partly a function of the increased number of Wisconsin residents living with HIV infection, an increase that results from newly-reported cases of HIV infection in the state, coupled with advances in medical treatment that have reduced HIV-associated deaths and extended the life expectancy of people living with HIV. These trends are reflected in Table 2, which summarizes the number of persons in Wisconsin living with HIV infection during the period 1998 through 2006.

TABLE 2

Number of People in Wisconsin Living With HIV Infection: 1998 through 2006

1998	4,271
1999	4,440
2000	4,462
2001	4,813
2002	5,016
2003	5,180
2004	5,387
2005	5,767
2006	5,963

15. ARCW is currently planning several initiatives to address the increased need for its services. Those initiatives include opening new food pantries in La Crosse and Wausau (in addition

to pantries currently operating in Eau Claire, Green Bay, Kenosha, and Milwaukee), opening a new dental HIV dental clinic in Green Bay, expanding its mental health program in Green Bay and Kenosha, and expanding the medical care it provides to indigent people with HIV/AIDS throughout Wisconsin.

16. The AIDS Network is the lead ASO for the Department's southern region, which encompasses thirteen counties in the southwestern portion of the state. The AIDS Network has offices in Madison, Beloit, and Janesville. The agency provides a range of services to persons with HIV/AIDS, including case management services, housing counseling, treatment support services, dental assistance, legal services, and support groups. The AIDS Network currently serves approximately 400 clients, 340 of whom receive active case management services.

17. The agency has identified two high priority needs it hopes to address with additional Mike Johnson grant money. The first is increased access to dental services for individuals with HIV. The AIDS Network has recently established partnerships with Meriter Hospital and UW Hospital to provide a limited amount of dental services for its clients, many of whom are uninsured. The agency indicates that a portion of any additional Mike Johnson funds would be used to serve more clients with additional dental services under these new dental partnership programs.

18. The second high priority need identified by the AIDS Network is for an additional case manager. Currently, each of the agency's case managers serves between 50 and 60 different clients, a caseload that has increased in recent years. The agency believes an additional case manager would help reduce caseloads and allow it to better serve clients and to make sure that best practices are being applied with respect to the agency's case management services.

19. In recent years, DHFS has allocated the Mike Johnson grants between the Department's five service regions based on the following formula: (a) 88% of the funds based on a three-year average of the number of cases of persons living in the region with HIV infection; (b) 2.5% of the funds based on the geographic size of the region; and (c) 9.5% of the funds in fixed awards to each region. Table 3 summarizes how the Mike Johnson grants were awarded, by area and by categories of service, in 2005-06.

TABLE 3

Distribution of Mike Johnson Grants By Region and Category of Service
Fiscal Year 2005-06

	Southeastern	Northeastern	Northern	Western	Southern	Total
Early Intervention	$506,732	$38,047	$22,173	$28,361	$35,856	$631,169
Dental Services	184,300	7,436	7,250	7,523	12,000	218,509
Case Management	739,764	191,899	89,748	143,309	412,105	1,576,825
Legal Services	86,236	6,740	$0	$0	40,359	$133,335
Housing	0	0	0	0	10,062	10,062
Total	$1,517,032	$244,122	$119,171	$179,193	$510,382	$2,569,900

20. As Table 3 indicates, approximately 80% of the Mike Johnson grants in 2005-06 were awarded to fund services in the Southeastern, Northwestern, Northern, and Western regions of the state, for which ARCW is the designated lead agency. While DHFS has since adopted a simplified formula for awarding Mike Johnson grants, the distribution of grants among the state's five regions in the 2007-09 biennium is expected to be similar to the pattern reflected in Table 3.

21. If the Committee approves the Governor's recommendation to increase the Mike Johnson grants by $1 million beginning in 2008-09, total additional GPR (relative to base) needed for that purpose, and to fund the "base" HIV/AIDS program, would be $1,015,400 in 2008-09. That amount is $1,547,600 less than the amounts in SB 40. This option, which includes the Governor's recently-revised estimates described previously, is Alternative 2 in the paper.

The HIRSP Pilot Project

22. The Governor recommends the creation of a three-year pilot project, under which DHFS would pay the health insurance premiums under HIRSP for individuals currently enrolled in ADAP. The bill also directs DHFS to pay the HIRSP prescription drug copayments for these individuals for HIV/AIDS medications eligible for reimbursement under ADAP. Under the bill, as modified by the administration's March 19, 2007, letter to this Committee's Co-chairs, the pilot project would start on January 1, 2008, and include a minimum of 100 participants.

23. To participate in the pilot project, a person would have to be eligible for reimbursement under ADAP, be taking antiretroviral drugs, lack health insurance coverage, and not be eligible to participate in the HIV/AIDS insurance premium subsidy program because they are not on unpaid medical leave, are not unable to continue employment, and have not had to reduce their employment hours because of an illness or medical condition arising from or related to HIV.

24. The administration has identified two primary rationales in support of the pilot project. First, the pilot project would provide health insurance coverage to low-income, HIV-positive individuals who are currently uninsured. Such coverage is particularly important for persons living with HIV/AIDS, in part to ensure that qualified medical professionals help coordinate and monitor the complicated regimen of HIV/AIDS medications typically prescribed.

25. The administration's second rationale in support of the HIRSP pilot project is its estimate that the project will generate savings for the state's HIV/AIDS program. To calculate these estimated savings, the administration compared the per person cost for HIV/AIDS medications the state pays under ADAP, then compared those costs to the cost to insure an individual under HIRSP. For a substantial number of individuals currently enrolled in ADAP who lack health insurance, the administration determined it would be less expensive for the state to pay their health insurance premiums under HIRSP than it would be for the state to continue to pay for their HIV/AIDS medications under ADAP.

26. The administration initially estimated that the state would save approximately $1 million a year beginning in 2008-09 if 100 uninsured individuals currently enrolled in ADAP were

instead enrolled in HIRSP. Subsequent to the release of the Governor's budget, however, DHFS discovered that HIRSP imposes a six-month pre-existing condition period for prescription drugs covered under its insurance plans. Since persons in the pilot project would, by definition, have a pre-existing condition (HIV/AIDS), the effect of HIRSP's six-month pre-existing condition policy would be to prevent individuals in the pilot program from receiving insurance coverage for their HIV/AIDS medications during the first six months they are enrolled in HIRSP. In many cases, these prescription drugs constitute the majority of these individuals' total medical costs.

27. Given these facts, the administration has revised its cost estimates for the pilot project to incorporate the assumption that ADAP would continue to pay the costs of HIV/AIDS drugs for participants in the pilot project during HIRSP's six-month pre-existing condition period. The fiscal impact of these revised assumptions is to reduce and defer the estimated cost savings generated by the HIRSP pilot project during the 2007-09 biennium. These adjustments are reflected in Table 4, which incorporates the administration's revised assumptions regarding the HIRSP pilot project. Table 4 also incorporates the revised assumptions reflected in Table 1 with respect to the "base" HIV/AIDS program.

TABLE 4

Revised Estimate for the HIV/AIDS Program, 2007-08 and 2008-09
(With HIRSP Pilot Project)

	2007-08	2008-09
Revenue		
GPR ADAP	$464,000	$464,000
Ryan White - FED	4,290,900	4,376,700
MA Refunds	436,000	425,100
Drug Rebates	3,114,500	2,936,300
GPR Insurance	640,600	640,600
Total Revenue	$8,946,000	$8,842,700
Expenditures		
ADAP	$7,786,300	$7,340,800
Insurance	2,460,600	3,321,300
Salaries	198,300	203,300
Total Expenditures	$10,445,200	$10,865,400
Difference	-$1,499,200	-$2,022,600
Rebate Carryover '07	$3,576,800	$0
Rebate Carryover '08	0	2,077,600
Balance	$2,077,600	$55,000

28. As Table 4 indicates, the estimated savings of the HIRSP pilot project in 2007-08 and 2008-09 under the revised assumptions discussed above are less than the administration initially estimated. For example, Table 1 indicates that without the pilot project, $15,400 additional GPR

would be needed in 2008-09 to fund the "base" HIV/AIDS program. With the pilot project, as reflected in Table 4, GPR funding could be reduced by $55,000 in 2008-09, indicating savings from the pilot project during the biennium of $70,400. This option is Alternative 3 in the paper.

29. One reason these savings are lower than the administration initially estimated is because during the first six months of the project, DHFS would be paying participants' prescription drug costs under ADAP as well as their HIRSP insurance premiums. Once those pre-existing condition periods are satisfied, however, the pilot project could be expected to generate additional savings in future years. Based on current estimates, those annual savings would be approximately $600,000. Those estimated savings would decrease, however, to the extent that new participants enter the pilot program, each of whom would need to satisfy the HIRSP six-month pre-existing condition period. It is also possible that additional savings might be achieved if more than 100 people participate in the project. Any such savings associated with additional participants would be proportionately less than the savings achieved by switching the first 100 people, however, because the administration assumed the 100 most costly ADAP clients would be the first 100 people to switch to HIRSP.

30. The Committee could also consider the impact the HIRSP pilot project may have on HIRSP. Under current law, persons who are HIV positive are already eligible for coverage under HIRSP. Therefore, the pilot project would not require any change to HIRSP's eligibility criteria (other than to clarify that persons in the pilot project are not ineligible for HIRSP by virtue of the fact that the state would be paying their HIRSP insurance premiums).

31. The HIRSP Authority's Board of Directors has not taken a formal position on the pilot project. The Authority has estimated, however, that it would cost approximately $2.6 during the first year to provide health insurance coverage to an additional 100 individuals with HIV/AIDS. This is a "net" figure, meaning it represents the total additional costs to HIRSP less the insurance premiums the state would pay on behalf of these individuals, and is based on the loss experience of HIV/AIDS patients currently enrolled in HIRSP. The figure also represents the estimated net costs for a 12-month period after individuals in the pilot project exhausted their six-month pre-existing condition clause.

32. Under statute, the costs of the HIRSP insurance plans are allocated as follows: (a) 60% to policyholders; (b) 20% in insurer assessments; and (c) 20% to participating health care providers. Applying this formula, HIRSP estimates that policyholder premiums would increase by approximately 1.7% during the first twelve-month period after the 100 pilot project participants have satisfied their pre-existing condition period. HIRSP estimates that additional premium increases would be required in the event that more than 100 individuals were transferred from ADAP to HIRSP under the pilot project.

33. One factor potentially contributing to the additional costs borne by HIRSP under the proposed pilot project is that HIRSP does not receive the drug manufacturer rebates ADAP receives when it purchases those medications. To that end, the Committee may wish to direct DHFS to determine the feasibility of developing a modification to the Governor's recommendations, under

which ADAP would continue to purchase HIV/AIDS medications for participants in the pilot project and HIRSP would reimburse ADAP for those prescription drug costs. Under such a proposal, if feasible, the state would continue to enjoy savings under the pilot project and the fiscal impact on HIRSP might be reduced.

ALTERNATIVES TO BASE

1. Modify the Governor's recommendation to provide $15,400 GPR in 2008-09 to fund projected cost increases in the state's HIV/AIDS program, as reflected in Table 1 of this paper, and to delete the Governor's recommendation to create the HIRSP pilot project.

ALT 1	Change to Bill Funding	Change to Base Funding
GPR	- $2,547,600	$15,400

2. In addition to Alternative 1, approve the Governor's recommendation to provide $1,000,000 GPR in 2008-09 for the Mike Johnson grants. The net fiscal effect of this alternative would be to increase funding for the state's HIV/AIDS program by $1,015,400 GPR in 2008-09.

ALT 2	Change to Bill Funding	Change to Base Funding
GPR	- $1,547,600	$1,015,400

3. Approve the Governor's recommendation to create the HIRSP pilot project. The net fiscal effect of this alternative, as reflected in Table 4 of this paper, would be to reduce GPR funding for the state's HIV/AIDS program by $55,000 in 2008-09.

ALT 3	Change to Bill Funding	Change to Base Funding
GPR	- $2,618,000	- $55,000

4. In addition to Alternative 3, approve the Governor's recommendation to provide $1,000,000 GPR in 2008-09 for the Mike Johnson grants. The net fiscal effect of this alternative would be to increase funding for the state's HIV/AIDS program by $945,000 GPR in 2008-09.

ALT 4	Change to Bill Funding	Change to Base Funding
GPR	- $1,618,000	$945,000

5. In addition to Alternatives 3 or 4 (alternatives which approve the Governor's recommendation to create the HIRSP pilot project), direct DHFS to determine the feasibility of developing a modification to the Governor's recommendations, under which ADAP would continue to purchase HIV/AIDS medications for participants in the pilot project and HIRSP would reimburse ADAP for those prescription drug costs and submit a report to the Joint Committee on Finance by October 1, 2007.

6. Maintain current law.

ALT 6	Change to Bill Funding	Change to Base Funding
GPR	- $2,563,000	$0

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