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Proposed ADAP Cost-Sharing Threatens the Health of Californians Living with HIV/AIDS

Question:

How will new cost-sharing fees proposed for the AIDS Drug Assistance Program affect people living with HIV and AIDS (PLWHA) in California?

Background: Faced with a projected $9 billion state budget deficit in Fiscal Year 2012-13, Governor Brown proposed significant changes in funding for California's AIDS Drug Assistance Program (ADAP) in his January budget, including steep cost-sharing fees which will impact half of the program's 42,000 low-income beneficiaries.

The new fees would for the first time require ADAP beneficiaries with incomes between 101 and 400 percent of Federal Poverty Level (FPL) to pay out of pocket before they could access ADAP's life-saving HIV/AIDS drug regimens. The individuals affected have incomes between $10,891 and $43,560 annually. Additionally, ADAP beneficiaries with incomes between $43,561 and $50,000 annually who already make monthly cost-sharing payments would be required to pay substantially more to remain in ADAP.

Under the governor's cost-sharing proposal, recipients would pay the following:

- 5% of adjusted gross income for those earning between $10,891 and $21,780 (101-200 percent of FPL);
- 7% of adjusted gross income for those earning between $21,781 and $32,670 (201-300 percent of FPL);
- 10% of adjusted gross income for those earning between $32,671 and $43,560 (301-400 percent of FPL);
- 10% of adjusted gross income for those earning between $43,561 (401 percent of FPL) and ADAP's income limit of $50,000 annually; and,
- 2% of adjusted gross income for recipients on ADAP who also have private insurance.

The chart below estimates the

Impact of proposed ADAP cost-sharing

Percent of Federal Poverty Level	Corresponding to Annual Income of:	Current Average Annual Payment	Proposed Average Annual Payment	Number of Clients Affected
0-100%	Up to $10,890	$0	$0	10,867
101-200%	$10,891 - $21,780	$0	$813	8,240
201-300%	$21,781 - $32,670	$0	$1,809	4,668
301-400%	$32,671 - $43,560	$0	$3,743	1,561
Greater than 400%	$43,561 - $50,000	$1,489	$4,644	175

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average annual payment that would be required of ADAP beneficiaries under the governor's cost-sharing proposal, grouped by percentages of FPL. The amounts are based on data provided in the state Office of AIDS' ADAP November 2011 Estimate Package -- which shows the average monthly cost-sharing payment for each income category. This chart excludes ADAP beneficiaries with private insurance.

The governor's budget estimates the proposed fees would generate about $16.5 million in new revenues, and $2 million in new administrative costs to the program, resulting in net revenues of an estimated $14.5 million. ADAP beneficiaries impacted by the cost-sharing proposal have ongoing medical and health care needs, but very limited income. They largely rely on public health programs for both care and treatment. Thus, it is important to know how the proposed changes will affect this vulnerable population.

Methods: In order to estimate the impact of the cost-sharing proposal, we relied on data provided by the state Office of AIDS' ADAP November 2011 Estimate Package, which details the methods used to determine total revenues and costs that would result from the proposed changes. We developed the proposed average payment amount by annualizing a weighted average of the projected monthly cost-sharing charge for each income group, as estimated by the state Office of AIDS.

Findings: For most of the 21,000 affected ADAP beneficiaries, annual payments would range from $545 for those reporting $10,891 in annual income to $4,350 a year for those making $43,500. Currently, these beneficiaries are exempt from any cost-sharing in ADAP. Another 15 percent of ADAP beneficiaries have private insurance. ADAP pays only their premiums and other fees, not the full cost of their drugs. These individuals would pay two percent of annual income to continue accessing ADAP assistance, costing $218 for those making $10,891 up to $870 for those making $43,500.

ADAP recipients reporting income between $43,561 and $50,000 annually already make monthly cost-sharing payments. The governor's budget assumes that, excluding those with private insurance, these recipients will pay on average an additional $3,155 annually.

The budget proposal estimates that the Office of AIDS will spend an additional eight dollars in administrative costs to collect each of the new monthly fees.

The Office of AIDS' Estimate Package also includes other cost saving proposals for the ADAP program, but these will not directly impact individual beneficiaries.

Discussion: The governor's cost-sharing proposal for ADAP will likely be a significant financial barrier to ADAP's low-income beneficiaries. This is particularly problematic considering the high costs of these life-saving medications. Most ADAP beneficiaries could not afford their medications if they were financially unable to access the ADAP program.

ADAP is not a full health care benefit. ADAP only covers a limited range of drugs – some 184 name-brand and generic drugs necessary to successfully treat HIV/AIDS and related conditions. ADAP's low-income beneficiaries must often pay for drugs not on the ADAP formulary, and for other health care costs associated with HIV disease. Under the governor's cost-sharing proposals, these clients would face significant increases in the amount of out-of-pocket costs they will be expected to meet just to access medications they must have to maintain their health.

If the Governor's cost-sharing proposal discourages participation in ADAP, state healthcare costs may rise rather than fall. Research shows that increasing copayments discourages medication adherence among patients with chronic disease (Maciejewski, 2010; Chernew, 2008; Goldman, 2007). Antiretroviral treatment (ART), while expensive, lowers annual costs of HIV/AIDS care because successful treatment more than offsets expenses

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associated with declining health and hospitalizations that result from inadequate treatment (Schackman, 2006). New research indicates that people living with HIV/AIDS (PLWHA) on appropriate ART are much less likely to transmit HIV to others when successful treatment suppresses their viral load (Cohen, 2011). Data indicates that every new HIV infection will ultimately cost $618,900 in lifetime treatment, which is often borne by the state (Schackman, 2006).

Based on the governor's cost-sharing proposal and the most current research on the impact of cost-sharing on low-income individuals, we conclude that the proposed ADAP cost-sharing will impose a heavy burden on low-income individuals and the chronically ill; that the proposal will likely be harmful to both individual and public health; and that the expected cost savings will not in the long run prove cost effective to the state.

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