


The ADAP Coalition

ADAP Budget Projection - Fiscal Year 2010

AIDS Drug Assistance Programs (ADAP) play a key role in the federal and state response to the U.S. domestic AIDS epidemic by providing medications to hundreds of thousands of Americans living with HIV who are uninsured or underinsured. The HIV/AIDS community has used a pharmacoeconomic model for 12 years to estimate the amount of funding needed to treat ADAP eligible individuals in upcoming federal and state fiscal years. **The need number represents the amount of new funding required to allow state ADAPs to provide access to a formulary of HIV/AIDS medications to ADAP clients under the current eligibility rules for each state.**

Two changes to the environment in which ADAP operates necessitated a revised approach to estimating the budget need. Reauthorization of the Ryan White Program in 2006 resulted in a revised distribution formula and an increased proportion of the allocation set aside for ADAP Supplemental funds to address access disparities. Implementation of Medicare Part D shifted a portion of the clients away from ADAP and also decreased the drug costs for other clients who continue to receive assistance from ADAPs to meet their cost sharing requirements. Due to these changes, as well as FY2008 increases in State appropriations for ADAP and increased rebates from drug companies; ADAPs nationally were largely able to maintain a state of budget "equilibrium" in FY2008. ADAPs were able to reduce formulary and eligibility disparities between states, but waiting lists totaling 57 individuals had developed by October 2008.

The focus of the revised projection model is the incremental cost required to provide coverage for new clients enrolling in ADAPs in FY2009 and FY2010. Total funding need is calculated by adding the incremental costs of new clients to the inflation-adjusted drug costs for the base population of ADAP clients enrolled in FY2007. Additional funds are included to allow elimination of the existing waiting lists and to allow for continued growth of ADAPs use of health insurance continuation programs as a cost effective alternative to paying for drugs.

The ADAP federal need number for FY2010 is an increase of \$269.4 million for a total appropriation of \$1.064 billion. Coupled with estimated state funding increases, this funding will provide continued services to a total of 134,525 clients in FY2010, including the ability to enroll 8,472 new clients. This includes individuals who are fully



covered by ADAP and those who receive assistance with Medicare Part D cost sharing requirements, or private insurance continuation.

Included in the FY2010 need number is a revised estimated for the ADAP federal need number for FY2009 of \$903.3 million, an increase of \$108.9 million. The FY2009 need number was revised based upon new survey data. Coupled with estimated state funding increases, this funding will provide continued services to a total of 126,759 clients in FY2009, including the ability to enroll 8,529 new clients and eliminate waiting lists. This includes individuals who are fully covered by ADAP and those who receive assistance with Medicare Part D cost sharing requirements, or private insurance continuation. In addition, the FY2010 need number estimates an appropriations increase of \$20.2 million in FY2009. As the final appropriations bill has not yet been passed this is only an estimate.

The key elements of the model are:

Number of clients - ADAPs' base population (110,992 in June 2008) and monthly average program growth rate (706/month for June 2007 to June 2008) from NASTAD and Kaiser Family Foundation's National ADAP Monitoring Project provide the basis for the projection of the future ADAP client population.

Cost of Therapy - The cost of providing drugs to ADAP clients is based on the weighted average monthly cost (\$979.32) reported by ADAPs in June 2008. This approach takes into account the variability of client needs for ADAP support for both ADAP full pay and "partial pay" (e.g., partial private insurance and Medicare Part D) clients. The cost is adjusted based on the rate (21.1%) of additional "discount" that ADAPs are able to achieve through rebates, including supplemental agreements negotiated by the ADAP Crisis Task Force¹, for a net average monthly cost of drugs was \$772.43. For FY2009 and FY2010 the inflation adjusted average per patient per month (PMPM) cost for drugs is calculated to be \$813.25 and \$844.26 respectively.

Cost for New Clients - The projected number of new clients per month, including enrolling individuals on existing waiting lists into ADAPs, and the cost of therapy produce an estimate of the increased incremental cost to ADAPs for providing drugs to new clients of \$45.6 million in FY2009 and \$133.2 million in FY2010.

Annual Drug Cost Inflation for the Base Program - In FY2008, the total reported budget of all ADAPs was \$1.54 billion. Under the Federal 340B Drug Program, in which all ADAPs participate, the increase in drug prices is limited to the Consumer Price Index for All Urban Consumers (CPI-U). An annual inflation rate of 3.75%, the average CPI-U for the past five years, was applied to the total budget to project the cost of maintaining coverage for the ADAP "base" population as \$57.9 million in FY2009 and \$60.0 million in FY2010.

¹ NASTAD's ADAP Crisis Task Force was formed in 2003 to negotiate with pharmaceutical companies for lower prices on HIV/AIDS medications. This highly successful effort has resulted in estimated savings for ADAPs of over \$630 million since FY2003.

**INFORMATION OF POTENTIAL INTEREST #182**

6 January 2009

3

Insurance Continuation Programs – ADAPs increased the amount of their funds allocated for paying insurance premiums and cost sharing expenses by \$32.7M from FY2007 to FY2008. The same level of increase is projected for FY2009 and FY2010 to enable ADAPs to cost effectively leverage private health insurance for clients.

FY2009 & FY2010 – Based on the model, there is a need for an additional \$136.17 million in revenues for ADAPs in FY2009, and \$225.9 million in revenues in FY2010. These amounts have been divided into a federal and state share based upon historical data.

ADAP Need:

- The total ADAP funding increase needed for **FY2010** (\$225.9 million) is divided into a 20% State Share (\$45.2 million) and an 80% Federal Share (**\$180.7 million**).
- The total ADAP funding increase needed for **FY2009** (\$136.1 million) is divided into a 20% State Share (\$27.2 million) and an 80% Federal Share (**\$108.9 million**).
- The FY2010 Need is therefore \$289.6 million minus the estimated FY2009 appropriated amount of \$20.2 million for a total funding need of \$269.4 million.

This projection methodology does not account for the effects of possible changes in: clinical standards or practices; FDA approval of new therapies; ADAP eligibility criteria; changes in state Medicaid or other public health insurance programs; or other state health care infrastructure variables that contribute to the significant differences among individual state ADAPs.

#