



ADAP Budget Projection - Fiscal Years 2010 and 2011

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 over 166,000 individuals in the U.S. who are living with HIV and are uninsured or underinsured. The HIV/AIDS community has used a pharmacoeconomic model for 13 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. It also takes into account the amount of funds required to clear current ADAP waiting lists.**

The ADAP federal need number for FY2011 is an increase of \$370 million for a total appropriation of \$1.205 billion. Coupled with estimated state funding, this funding will provide continued services to a total of 169,123 clients in FY2010, including the ability to enroll 31,008 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.

A large gap remains for ADAPs in FY2010. Included in the FY2011 need number is a revised estimate for the ADAP federal need number for FY2010 of \$961 million, an increase of \$126 million over the current funding level. The FY2010 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 153,875 clients in FY2010, including the ability to enroll 15,760 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. The FY2010 need number has been adjusted from the previous level to account for the \$20 million already received through the FY2010 Congressional appropriations process.

ADAP Need Summary	FY2010	FY2011
1. Additional Expenditures due to Enrollment Growth	\$76,341,079	\$214,130,839
2. Health Insurance Continuation Growth	\$55,179,005	\$55,179,005
3. Drug Price Inflation on Base Revenues ¹	\$40,296,354	\$41,347,633
ADAP Need	\$171,816,438	\$310,657,478
Federal Share (85%)	\$146,043,973	\$264,058,856
State Share (15%)	\$25,772,466	\$46,598,622
FY2010 Federal Appropriation Increase	\$20,000,000	
Total Federal ADAP Need	\$126,043,973	\$244,058,856
Total FY11 Need (if no additional FY10 funds received)		\$370,102,829

¹ Drug Inflation is limited to the Consumer Price Index for All Urban Consumers (CPI-U) under the Federal 340B Drug Program.

In the past two years, the model used to estimate the budget need was altered to allow for changes made during the 2006 Ryan White reauthorization and the implementation of Medicare Part D. 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 under current eligibility and formulary rules. 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 FY2008. 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 key elements of the model are:

Additional Expenditures Due to Enrollment Growth (see Item 1. above)

Number of clients - ADAPs' base population (125,408 in June 2009) and monthly average program growth rate (1,271/month for June 2008 to June 2009) from NASTAD'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 (\$1,017.23) reported by ADAPs in June 2009. 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 (31.5%) of additional "discount" that ADAPs are able to achieve through rebates, including supplemental agreements negotiated by the ADAP Crisis Task Force², for a net average monthly cost of drugs was \$696.76. For FY2010 and FY2011 the inflation adjusted average per patient per month (PMPM) cost for drugs is calculated to be \$722.54 and \$741.88 respectively. Inflation is based on the Consumer Price Index for all Urban Consumers (CPI-U) which is discussed more below.

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 \$76.3 million in FY2010 and \$214.1million in FY2011.

Health Insurance Continuation Growth (see Item 2. above)

Insurance Continuation Programs - ADAPs increased the amount of their funds allocated for paying insurance premiums and cost sharing expenses by \$55.2 million from FY2008 to FY2009. The same level of increase is projected for FY2010 and FY2011 to enable ADAPs to cost effectively leverage private health insurance for clients.

² 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 \$850 million since FY2003 with \$220 million in FY2008".

Drug Price Inflation on Base Revenues (see Item 3. above)

Annual Drug Cost Inflation for the Base Program – In FY2009, the total reported budget of all ADAPs was \$1.56 billion. Under the Federal 340B Drug Program, in which all ADAPs participate, the increase in drug prices is limited to the CPI-U. An annual inflation rate of 2.61%, 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 \$40.3 million in FY2010 and \$41.3 million in FY2011.

FY2010 & FY2011 – Based on the model, there is a need for an additional \$171 million in revenues for ADAPs in FY2010, and \$310 million in revenues in FY2011. These amounts have been divided into a federal and state share based upon historical data and the current fiscal situation in states.

ADAP Need:

- The total ADAP funding increase needed for **FY2010** (\$171 million) is divided into a 15% State Share (\$25 million) and an 85% Federal Share (**\$146 million**).
- The total ADAP funding increase needed for **FY2011** (\$310 million) is divided into a 15% State Share (\$46 million) and an 85% Federal Share (**\$264 million**).
- The FY2011 federal ADAP need is therefore \$390 million minus the estimated FY2010 appropriated amount of \$20 million for a total funding need of **\$370 million**.

The state share of the increase is based upon the current portion (13.7%) of ADAP revenues that derive from state appropriations and a recognition of the severe fiscal constraints facing states at this time.

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; 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.