Department of State Health Services
HIV AIDS Drug Assistance Program
FY21 Deficit

The HIV AIDS Drug Assistance Program (ADAP) is experiencing a significant deficit of **$52 million** in Fiscal Year 2021. The program will be operating at a shortfall beginning in February.

ADAP provides life-saving and infection-reducing medications to 21,247 Texans who meet the eligibility criteria. To be eligible for ADAP assistance, a person must: a) be diagnosed as HIV-positive; b) be a Texas State resident; c) be at or under 200% FPL (federal poverty level); and d) be verifiable as uninsured or underinsured for prescription drug coverage. A few factors are playing into the anticipated gap, which have been exacerbated by the increase of program demand due to COVID-19 job loss. 2,700 new clients entered the program this year, which is 34% higher growth than in prior years. The program is federally funded, and the grant year is from April through March.

DSHS has taken internal measures to decrease the deficit and is working with federal partners to seek additional funds. At this time, DSHS is not requesting supplemental funding from the 87th Legislature.

COVID-19 Impact on the Shortfall:

Table 1, Increased Costs Due to COVID-19 in 2020, in millions	
Month	**Increased Costs**
March	$8.7
April	$1.0
May	$4.4
June	$3.5
July	$5.0
August	$3.3
September	$4.6
October	$0.0
November	$0.2
December	$3.7
Total	**$34.4**

Beginning in March of 2020, DSHS ADAP participants increased at a higher rate likely due to the economic downturn due to COVID-19. ADAP had 2,919 new participants enter the program March through December of this year, which is 28% higher growth than in prior years. A higher percentage of participants are unemployed in fiscal years 2020 and 2021.

Additionally, DSHS implemented two policies to encourage social distancing and require minimal contact for participants to remain on the program continuing to receive medications.

- Increased the standard 30-day medication supply to a 60-day supply. This resulted in immediate increased monthly costs. This practice was discontinued October 12, 2020.
- No-contact emergency eligibility process which included an eligibility extension for those participants in need of recertification. This was discontinued on December 31, 2020.

Increased Medication Cost

Medications increased in cost by over $1,000 per person annually, due to an increased usage in four high-cost single tablet regimens. The number of enrollees prescribed one of these medications increased from 68% to 80%.

Potential Solutions with Federal Partners

Table 2, Potential Solutions, in millions		
Internal Agency Transfers*	$	12.3
Coronavirus Relief Fund**	$	34.4
Federal Supplemental Award**	$	15.0
Federal Carryforward**	$	3.0
Total	**$**	**64.7**

*Internal DSHS transfers began in January 2021.
**Amounts reflected are estimates and are not approved or guaranteed from the federal partners.

- Internal Agency Transfers. In January 2021, DSHS initiated multiple internal transfers, including allocating funds that may lapse from other programs, identifying expenditures that are eligible to be paid with Title V funds, and temporarily removing the cost of the agency's overhead from this program.
- Coronavirus Relief Fund (CRF). Met with the auditor that is reviewing the CRF funds and assisting with determining the eligibility of expenses. Since some of the shortfall is caused by an increase in clients due to COVID, and changes in policies due to COVID, the expenses may qualify. DSHS is requesting $34.4 million in CRF. This request is not guaranteed and requires Governor office and federal approval that it is an allowable expense.
- Federal Supplemental Request – HRSA is likely to respond with the award in late February 2021. DSHS requested $51 million in supplemental funds. In the past few years, DSHS has received approximately, $15-18 million in supplemental funds each year. This request is not guaranteed and requires federal approval.
- Request to move forward $3 million in federal funds from previous grant years to the current grant year. HRSA is likely to respond in late February. This request is not guaranteed and requires federal approval.

Internal steps to decrease the request:

- Remove the Premium Cap for Medicare Recipients. This will increase revenue through medication rebates by encouraging more enrollees. It will take 6-9 months to generate additional revenue.

- Eliminate the Hepatitis C (HCV) Medication Program for ADAP participants. New enrollments will cease by January 31st. Existing enrollees will complete treatment medications by April 30th. Savings will be realized after the first year.
- Elimination of 90-day medication fills. These will be discontinued with new enrollees by January 31st, and for existing enrollees by February 28th.
- Discontinue the spenddown calculation when determining eligibility. THMP currently applies a "spend down" equal to the cost of each participant's yearly THMP medications as an income adjustment for those persons who are over the program's 200% FPL requirement. Elimination of the spend down began in the ADAP program in December and in the other Texas HIV Medication Programs (SPAP and TIAP) in May. Savings will take six months to generate due to rolling eligibility periods.

Additionally, DSHS is reviewing longer term strategies that would decrease program cost in future fiscal years.

Texas Administrative Code Rule, § 98.115, Texas HIV Medication Program Fiscal Planning

The TAC rule indicates cost containment measures that DSHS may implement to make certain that expenditures do not exceed the program's budget. The cost containment measures are:

- Initiate medical criteria to meet at minimum the most recent federal Department of Health and Human Services Guidelines for the Use of Antiretroviral Agents in HIV-Infected Adults and Adolescents, which can be found at http://aidsinfo.nih.gov/Guidelines.
- Discontinue using the formula for adjusting the applicant's gross annual income described in §98.109(b) of this title (relating to Financial Eligibility Criteria).
- Lower the financial eligibility criteria described in §98.109(a)(4) of this title to a level that is not lower than 125% of federal poverty level.
- Cease enrollment of new applicants.