

FEDERAL WATCH

Medicaid Dodges Reform Bullet: Entitlement Remains Intact for Now

Earlier this year, Secretary of Health and Human Services Tommy Thompson presented the Bush proposal on reforming Medicaid, the nation's health care program for many low-income individuals in need of health care coverage. Since the proposal was presented, the AIDS community has mobilized to ensure that Medicaid, the largest provider of HIV care in the U.S., remains accessible to all low-income people disabled by AIDS.

The Bush proposal sought to eliminate the entitlement nature of Medicaid, which guarantees access to all who are eligible for the program. The proposal would have capped the amount of federal funding to states for Medicaid services, destroying the equal match of funds currently in effect between the states and the federal government. Over time, the number of new enrollees would have been capped and existing enrollees would have faced reductions to medical care whenever state funds ran short.

Secretary Thompson asked the National Governor's Association (NGA) to endorse the Bush proposal. Instead, the NGA established its own bi-partisan Medicaid Reform Task Force to develop a reform plan that would not leave the states with an unfair share of cost for health care. The task force considered several proposals that would have severely restricted medical care and access to pharmaceuticals for people with AIDS and other disabled individuals. AIDS advocates worked closely with other disability groups to educate the governors about the negative impact of their proposals, encouraging them to resist any proposals to eliminate the entitlement nature of Medicaid.

In early June, the NGA rejected the Bush proposal and announced that they were unable to develop an equitable plan to reform Medicaid. While this is welcome news, the recession has left states and the federal government desperate to find cost savings in the Medicaid program. Medicaid spending represents one-third of many state budgets, making health care to the poor an attractive target for cuts.

With no consensus from the governors, it is unlikely that Congress will consider Medicaid reform in this session. However, our worries about this program are not behind us. Many of the most critical components of Medicaid for people with AIDS, such as pharmaceutical coverage, are optional benefits that the states could discontinue or restrict

without federal legislation. Indeed, Medi-Cal (California's Medicaid program) has already restricted some optional services due to budget constraints. The Foundation will continue to work closely with its advocacy partners to ensure that Medicaid is protected.

House Appropriations Mark-Up Provides Small Boost for ADAP but Cuts Other AIDS Programs

Attempting not to repeat the disastrous appropriations process of 2003, Republican leaders in the House and Senate have forged an agreement with the Bush Administration to release unspent supplemental defense funds to bolster spending caps in other areas of the budget. This agreement has allowed the Appropriations Committee Chairman to advance funding proposals that Republican members can support. The result so far has been disastrous for public health programs and has created a dangerous precedent in the House for AIDS appropriations.

The historic mark-up on June 19 of the House Labor-Health and Human Services (HHS)-Education Appropriations Subcommittee involved funding cuts to three of the four titles (or portions) of the Ryan White CARE Act—the first time this has happened since the CARE Act was established in 1990. These cuts were on top of a 3 percent rescission taken from all HHS programs in FY 2003 that effectively eliminated much of the increase that had been proposed for FY 2003.

Title I funds for cities hardest hit by HIV/AIDS were held at last year's level (\$618.7 million) while Title II funds given to the states for AIDS services were cut by \$1.04 million to \$338 million. In addition, Title III (direct funding to community based organizations) was cut by \$4.39 million to \$193.9 million and Title IV (which funds family, youth and children's programs) was cut by \$2.6 million to \$70.9 million. This damage was mitigated somewhat by a \$38.9 million increase for the AIDS Drug Assistance Program (ADAP). However, ADAP has been starved for adequate funding for several years, resulting in a cumulative increased need in FY 2004 of \$283 million.

The Senate Labor-HHS-Education Appropriations Subcommittee, also a part of the agreement with the White House, will have the same difficulty as its House counterpart if it attempts to increase support for any programs. This dangerous trend can be expected to continue as a result of reduced federal discretionary income, which has been caused by both tax cuts and the ongoing recession. The Foundation will continue to advocate for the highest possible increases to HIV/AIDS programs.

Limited Prescription Drug Benefit for Medicare Seems Likely

Both the House and Senate have crafted legislation to provide a limited prescription drug benefit for Medicare recipients. While neither plan is comprehensive, both provide significant relief for individuals in Medicare who have no other source of pharmaceutical coverage. For most people living with AIDS who rely on Medicare for their health care, ADAP has become the necessary lifeline to prescription drug access. The differences in coverage between the House and Senate bill and the impact on people with AIDS are still undetermined. As the Senate and House move closer to conference, it appears that a final plan will require considerable out of pocket expense from recipients for premiums, co-pays and deductibles. Families USA has developed a comparison of the two Medicare Prescription Drug bills. Please go to www.sfaf.org/policy and look at Latest News.

STATE WATCH

California ADAP Funding in Hands of the Governor

California's ADAP needs \$27 million more in FY 2003-04 to assure low-income people with HIV and AIDS access to critical HIV treatments. The amount needed for the program has increased by \$3 million since January of this year. On May 14, Governor Davis revised his earlier budget proposal for ADAP, substantially reducing the amount of proposed co-payments for ADAP clients and placing an additional \$7.3 million into the program on top of the \$2.3 he had proposed in January. His revised proposal left the program with a \$16 million shortfall.

In early June, a Budget Conference Committee composed of members of the Senate and Assembly met to agree on the final version of the state budget that the Legislature will send to the Governor. The Conferees agreed to provide \$27 million in additional resources to fully fund ADAP and rejected the Governor's proposal to mandate co-payments from ADAP clients.

These new dollars for ADAP were obtained by utilizing increased drug rebate revenues (rebates provided by the pharmaceutical companies) and by shifting \$7 million out of the state's \$8 million HIV Diagnostic Assay Program. This program pays for viral load and resistance testing for low-income individuals and would largely become the responsibility of local jurisdictions. Although we are disappointed about the need to shift funding from the Diagnostic Assay Program, we are grateful that the Legislature found a way to ensure access to HIV medications for all despite the state's desperate budget situation.

In the past, Governor Davis has been quite supportive of HIV/AIDS issues and in particular of ADAP. Assuming he does not take issue with transferring funds from the Diagnostic Assay Program to ADAP, only \$9 million separates his most recent proposal from that of the Legislature. The \$9 million provided by the Legislature comes directly from rebates that pharmaceutical companies pay ADAP for each dollar spent on drugs. These rebates

have always remained in ADAP for two important reasons. Every time the state spends its rebate on drugs, it gets more rebates. Additionally, when ADAP spends rebates on drugs, drug companies are given more incentive to provide rebates to the program. Drug companies are justifiably resistant to providing appropriate rebates if these funds are placed in the state's general fund for purposes other than treating people with HIV and AIDS.

The Governor has the ability to cut funds to any program once the final budget reaches his desk. Advocates are pressing the Governor to continue to dedicate all rebate revenues to ADAP – but the Governor is resistant given his need to identify cash to support many other pressing needs in the budget. It is extremely important that advocates ask the Governor to assure hope to all low-income Californians who need HIV medications by fully funding ADAP using the rebate revenues that should remain in the program. Write the Governor at the State Capitol, Sacramento, CA 95814 or email him at governor@governor.ca.gov

SAN FRANCISCO WATCH

As San Francisco struggles with an unprecedented \$350 million budget deficit for the 2003-04 fiscal year, over \$2 million in cuts are proposed to HIV/AIDS programs. These include the HIV/AIDS Hotline operated by the Foundation, mental health programs operated by Shanti and AIDS Health Project, return to work efforts by the Positive Resource Center and substance abuse treatment services at New Leaf. Supervisors Daly, Dufty and Ammiano are working to address these cuts, but must first identify cuts in other areas of the already tight city budget in order to restore HIV/AIDS programs.

The City's HIV/AIDS epidemic is worsening, not ending. This is not a time to cut services for which we will pay a substantial cost later. We encourage you to call your Supervisor and urge restoration of vital HIV/AIDS services. You may visit www.ci.sf.ca.us for a list of the Supervisors and their phone numbers.

SFAF POLICY STAFF

At the end of this month, **Kaarina Ornelas**, our Policy Assistant for the past three and a half years (and more recently the Director of Programs and Policy Analysis) leaves the Foundation to move to Toledo, Ohio. Kaarina has been responsible for the high-quality research, data gathering and analysis that have kept our readers well informed and have led to many of our successes on the HIV policy front. Her intellect, dedication to ending the HIV/AIDS epidemic, and wonderful sense of humor will be missed terribly. We wish Kaarina all the best!

| | |
|--|---|
| Fred Dillon Policy Director | Kaarina Ornelas Public Policy Analyst |
| Ernest Hopkins Director, Federal Affairs | Dana Van Gorder Director, State & Local Affairs |
| Elisa Quarles Director of Community Organizing | |

California AIDS Hotline 800-FOR-AIDS