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June 26, 2006

To: Mayor Michael D. Antonovich
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Supervisor Zev Yaroslavsky
Supervisor Don Knabe

From: David E. Janssen
Chief Administrative Officer

REPORT ON THE OFFICE OF AIDS PROGRAMS AND POLICY'S PLAN TO SUSTAIN CURRENT LEVELS OF HIV/AIDS PREVENTION AND TREATMENT SERVICES (AGENDA OF JUNE 26, 2006 – BUDGET DELIBERATIONS)

On May 10, 2006, your Board instructed my office, in collaboration with the Office of AIDS Programs and Policy (OAPP), to withhold making curtailments in provider contracts to address a reduction in OAPP program funding, to identify necessary funds to sustain current levels of HIV/AIDS prevention and treatment services, and to report back to your Board during the 2006-07 Budget Deliberations.

Our departments worked together in reviewing the proposed cuts and available funding and identified $0.6 million to partially address the proposed $2.1 million funding decrease, resulting in a remaining $1.5 million funding reduction related to HIV/AIDS treatment services. While we are currently unable to identify additional savings, we anticipate there may be additional opportunities during the 2005-06 year-end closing and our scheduled financing discussions related to the separation of Public Health from the Department of Health Services (DHS), both of which will occur in the next few months.

Given the continuing uncertainty regarding the funding shortfall, we are recommending that $2.2 million, the amount OAPP initially identified, be allocated in Final Changes to the Provisional Financing Uses (PFU) Budget to ensure current levels of treatment and prevention services are maintained pending our continued review. Although we have reduced the projected shortfall to $1.5 million, we are continuing to recommend that the full $2.2 million be included in PFU because of pending federal legislation described below, which could potentially affect funding received by OAPP.

HIV/AIDS SERVICE PROGRAMS

Treatment Services

Federal and State funding is received by OAPP in order to support primary medical care and essential support services for individuals affected by HIV/AIDS who do not have sufficient health care coverage or financial resources for coping with HIV/AIDS. Treatment services may include, but are not limited to, medical inpatient/outpatient, case management, and transportation services.

Prevention Services

Federal and State funding is received by OAPP for the provision of prevention services in Los Angeles County. Prevention services may include, but are not limited to, HIV/AIDS education and training, testing, and community need assessment/planning.

PROJECTED FUNDING DECREASE

Previously Identified Funding Reductions

In 2006-07 OAPP will receive a net decrease of $2.1 million in funding for HIV/AIDS prevention and treatment services. The $2.1 million funding decrease is a net reduction in funding of $1.8 million for treatment program services and $0.3 million for prevention program services.

Funding for treatment program services are received under the Ryan White Comprehensive AIDS Resources Emergency (CARE) Act. The net $1.8 million revenue reduction results from a $1.9 million reduction in Title I funds from the United States Department of Health and Human Services, partially offset by a $156,000 increase in Title II funds from the State Department of Health Services – Office of AIDS (Office of AIDS).

Funding for prevention program services is received from the United States Department of Health and Human Services' Centers for Disease Control and Prevention (CDC) under the National HIV Prevention Initiative. Funding is also received from the Office of AIDS under the State HIV Education and Prevention Program. A $396,000 reduction in CDC funding partially offset by a projected $73,000 increase in Office of AIDS funding, will result in a net $323,000 funding decrease.

Identification of Funding

OAPP, the Commission on HIV, Public Health, and this office attempted to identify funding to address the funding reductions and were able to identify partial funding in the amount $0.6 million. Funding of $0.3 million was identified by OAPP and is attributable to a potential savings in the actual costs incurred under prevention service contracts. These potential savings are due to contract expenses being less than previously anticipated, and would result in no curtailment to current prevention service levels. An additional $0.3 million was identified by OAPP and the Commission on HIV by maintaining current position vacancies, and by a continued commitment to minimizing or eliminating administrative expenses.

Other potential sources of funding were identified, but are not able to be substantiated at this time. These additional sources of funding include possible savings in treatment service contracts, which are not projected at this time, and, as previously stated, the identification of additional savings realized at year-end and/or from the separation of Public Health from DHS. However, as these potential funds are not able to be projected at this time, we are not currently utilizing them to address the funding reduction.

ADDITIONAL POTENTIAL FUNDING REDUCTIONS

As indicated above, the 2006-07 OAPP funding reductions are primarily attributable to decreases in Title I funding under the CARE Act for treatment services. The CARE Act, which was originally due for reauthorization in 2005, is currently being reviewed by Congress and must be reauthorized by September 30, 2006. Among the provisions in the currently proposed CARE Act reauthorization is a requirement that 75 percent of CARE Act funds be spent on core medical services. OAPP indicates that they are not currently meeting that requirement, therefore additional funding may be required to maintain current service levels. We will keep your Board informed as the reauthorization of the CARE Act progresses.

CONCLUSION

Due to the 2006-07 projected funding reductions for OAPP and the potential for additional reductions related to new requirements in the CARE Act reauthorization bill, we are recommending $2.2 million be allocated to PFU during Budget Deliberations. This funding will be available to address funding shortfalls without necessitating a reduction in current HIV/AIDS prevention and treatment service levels. As previously stated, though this $2.2 million will be set aside in PFU, OAPP may be able to identify additional savings to close this funding gap.

If you have questions or need additional information, please contact me, or your staff may contact Sheila Shima of my staff at (213) 974-1160.

DEJ:DL:SAS
DJ:RFM:bjs

c: Executive Officer, Board of Supervisors
County Counsel
Director of Health Services