



HIV/AIDS Bureau

APR 29 2005

Rockville, Maryland 20857

Dear Title II ADAP Colleagues:

This letter serves as program guidance regarding an issue raised by several AIDS Drug Assistance Program (ADAP) grantees who use a portion of their ADAP funds to purchase health insurance. The issue relates to the ability of ADAP grantees to submit for full rebates through the 340B drug pricing program on partial payments of health insurance policies.

The HIV/AIDS Bureau (HAB) Policy Notice 99-01, "*The Use of Title II ADAP Funds to Purchase Health Insurance*" allows ADAP grantees to use a portion of their ADAP funds to purchase insurance policies that include HIV treatments and access to comprehensive primary care services. Since the implementation of this policy in 1999, it has been found that using ADAP funds to purchase new health insurance policies or to pay for the continuation of current health insurance policies for individuals eligible for ADAP services is a cost effective strategy to provide clients with needed HIV related medications.

HAB Policy Notice 99-01 allows ADAP grantees to pay for insurance policies, provided the health insurance policies at a minimum include pharmaceutical benefits equivalent to the Title II ADAP formulary and the costs of providing medications through the health insurance option versus the existing ADAP is cost neutral in the aggregate. Funds may be used to cover any costs associated with the health insurance policy, including co-payments, deductibles, or premiums.

Title II/ADAP grantees that participate in the 340B drug pricing program can claim full rebates on partial pay claims under one of the following circumstances:

- The ADAP grantee must pay the deductible for the patient's medication under the insurance policy, whether or not the program also pays the health insurance premium; or
- The ADAP grantee must pay the co-pay for the patient's medication under the insurance policy, whether or not the program also pays the health insurance premium.

In both of the stated circumstances, there is a direct relationship between the ADAP payment and the patient's medication. Drugs that are fully reimbursed by insurance plans, where only the insurance premiums have been funded by ADAPs, are not eligible for the rebate. **Therefore, payment of the insurance premium alone does NOT entitle an ADAP to claim a rebate under the 340B drug pricing program.**

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If you have any questions regarding the content of this guidance letter, please contact your project officer in the Division of Service Systems, HIV/AIDS Bureau, at 301-443-6754. A copy of this letter has been forwarded to your State Governor for review.

Sincerely,

A handwritten signature in cursive script that reads "Deborah Parham Hopson".

Deborah Parham Hopson Ph.D., R.N.
RADM, USPHS
Associate Administrator