



## DEPARTMENT OF HEALTH AND HUMAN SERVICES

### Funding Highlights:

- Provides \$80.1 billion in discretionary funding for the Department of Health and Human Services, \$3.9 billion above the 2012 enacted level. The Budget continues to invest in Administration priorities such as Affordable Care Act implementation, medical research, mental health services, and Head Start. Savings are achieved through difficult trade-offs such as the elimination of the Preventive Health and Health Services Block Grant, and reductions in the Low Income Home Energy Assistance Program and the Community Services Block Grant.
- Supports innovative medical research by providing \$31 billion for the National Institutes of Health, including fulfilling the Administration's commitment to enhancing Alzheimer's research.
- Invests in high-quality care for our youngest children, with \$1.6 billion in increased discretionary funding for Early Head Start and Child Care and additional funds to expand evidence-based, voluntary home visiting.
- Expands mental health services for youth and families with a \$130 million initiative to help teachers and other adults recognize signs of mental illness in young people, provides students with needed services such as counseling to improve mental health services for young people ages 16-25, and trains 5,000 more mental health professionals with a focus on serving students and young adults.
- Supports a nationwide violent death surveillance system and research on the causes and prevention of gun violence with more than \$30 million for the Centers for Disease Control and Prevention.
- Supports implementation of the Affordable Care Act's health insurance coverage improvements through the operation, with States, of Health Insurance Marketplaces (also known as Affordable Insurance Exchanges) and the delivery of premium tax credits and cost sharing assistance to make coverage affordable.
- Strengthens Medicare, Medicaid, and other health programs by implementing payment innovations and other reforms that encourage high-quality and efficient care, improve program integrity, and preserve the fundamental compact with seniors, individuals with disabilities, and low-income Americans these programs represent. These improvements will save approximately \$400 billion over the next decade.
- Improves access to health care services for American Indians and Alaska Natives by funding additional medical services and staff at new facilities.

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**Improves Health Care Access, Research, and Quality of Services**

**Drives Down Health Care Costs by Implementing the Affordable Care Act.** The Affordable Care Act took historic and significant steps toward putting the Nation back on a sustainable fiscal course while laying the foundation for a higher-quality, more efficient health care system. In its most recent analysis, the Congressional Budget Office estimated that the Affordable Care Act will reduce the deficit by more than \$100 billion over the first decade and by more than \$1 trillion in the second decade. At the same time, the Affordable Care Act has the potential to fundamentally transform our health system into one that delivers better care at lower cost. The Affordable Care Act will also ensure that every American can access high-quality, affordable coverage, providing health insurance to nearly 30 million Americans who would otherwise be uninsured. The Affordable Care Act does this by establishing Health Insurance Marketplaces (also known as Affordable Insurance Exchanges), that act as competitive marketplaces to provide millions of Americans and small businesses with “one-stop shopping” for affordable coverage beginning in 2014. It also provides premium tax credit and cost sharing assistance to make coverage affordable and increased Federal support to States expanding Medicaid coverage for low-income adults. Efficiently and effectively implementing these coverage improvements is one of the Administration’s highest priorities. The Budget provides resources in support of these efforts, including the operations of the Marketplace to help individuals enroll in the best health insurance coverage option for themselves and their families. The Budget proposes small, targeted reductions in select HHS direct health care programs (e.g., immunizations and cancer screenings) because these services will now be financed through expanded insurance coverage and increased reimbursements for safety net providers beginning in 2014. The Budget also supports entities such as Public Health Departments and Community Based Organizations to develop the capacity to bill third party payers for covered

services (e.g., HIV testing, immunizations, and substance abuse treatment).

**Supports Biomedical Research at the National Institutes of Health (NIH).** Biomedical research contributes to improving the health of the American people, as well as the economy. The Budget includes \$31 billion for NIH to support research on-campus and at academic and independent research institutions across the United States, including delivering on the Administration’s commitment to enhance investment in Alzheimer’s research. Tomorrow’s advances in health care depend on today’s investments in basic research on the fundamental causes and mechanisms of disease, new technologies to accelerate discoveries, advances in translational sciences, and new investigators and new ideas. The Budget will increase focus on research that aims to increase understanding of the brain, improve the clinical trials network, and enhance the development of new therapeutics to treat diseases and disorders that affect millions of Americans. NIH will implement new policies to collect better data on trainees and institutions’ administrative costs.

**Improves Mental Health Services.** The Budget includes a new \$130 million initiative to expand mental health treatment and prevention services, including: \$55 million for Project AWARE (Advancing Wellness and Resilience in Education) to provide Mental Health “First Aid” training in schools and communities and to help school districts and their communities work together to ensure that students with mental health issues are referred to the services they need; \$50 million to train 5,000 new mental health professionals to serve students and young adults, including social workers, counselors, psychologists, and other mental health professionals; and \$25 million for Healthy Transitions, a new competitive grant to help support transitioning youth (ages 16-25) and their families access and navigate behavioral health treatment systems.

**Supports Gun Violence Prevention Research.** The Budget includes an additional \$20 million for the National Violent Death

authorities will better enable the Administration to minimize improper payments and provide greater value for program expenditures to beneficiaries and taxpayers.

**Supports Permanent, Fiscally Responsible Reform to Medicare's Payments to Physicians.** Medicare payments to physicians are determined under a formula, commonly referred to as the "sustainable growth rate" (SGR). This formula has called for reductions in physician payment rates since 2002, which the Congress has consistently overridden for over 10 years. Under the SGR, physician payment rates would be reduced by about 25 percent in 2014. The Administration is committed to working with the Congress to reform Medicare physician payments to provide predictable payments that incentivize quality and efficiency in a fiscally responsible way. Failing to address this issue creates uncertainty about beneficiaries' access to care. The Administration supports a period of payment stability lasting several years to allow time for the continued development of scalable accountable payment models. Such models can take different forms, but all will have several common attributes such as encouraging care coordination, rewarding practitioners who provide high-quality, efficient care, and holding practitioners accountable through the application of financial risk for consistently providing low quality care at excessive costs. HHS will welcome input from physicians and other professionals in designing these models. Following the period of stability, practitioners will be encouraged to partner with Medicare by participating in an accountable payment model, and over time, the payment update for physician's services would be linked to such participation. Those that successfully participate could receive larger payments under Medicare, while those who provide lower quality, inefficient care would receive lower payments. To complement these changes, the Administration also supports immediate reforms to improve the accuracy of Medicare's current physician payment system.

**Improves Medicare's Sustainability by Encouraging High-Quality, Efficient Care.** The Budget contains proposals that build on initiatives included in the Affordable Care Act to help extend Medicare's solvency while encouraging provider efficiencies and improving patient care. Specifically, the Budget modifies payments to certain providers to address payments that exceed patient care costs. For example, the Budget proposes to align Medicare payments for drugs with Medicaid rebate policies for low-income beneficiaries. It continues to expand on fraud, proposing among other policies greater scrutiny over payment for power wheelchairs, and it incentivizes skilled nursing homes to prevent hospital readmissions. These, along with other Medicare proposals, would extend the solvency of the Hospital Insurance Trust Fund by approximately four more years.

**Encourages Beneficiaries to Seek High-Value Services.** The Budget includes structural changes that will help encourage Medicare beneficiaries to seek high-value health care services. To help improve the financial stability of the Medicare program, the Budget reduces the Federal subsidy of Medicare costs for those beneficiaries who can most afford them, and also introduces a modified Part B deductible for new beneficiaries beginning in 2017. To encourage appropriate use of home health services that are not preceded by inpatient care, new beneficiaries beginning in 2017 would be responsible for a modest copayment for home health services in certain cases. Research indicates that beneficiaries with Medigap plans that provide first dollar or near-first dollar coverage have less incentive to consider the costs of health care services, thus raising Medicare costs and Part B premiums for all beneficiaries. The Budget applies a premium surcharge for new beneficiaries beginning in 2017 if they choose such Medigap coverage. In addition, the Budget alters prescription cost-sharing levels to encourage low-income beneficiaries to choose generic medications when clinically appropriate.

**Streamline Costs for Medicare Beneficiaries.** The Budget proposes to improve the beneficiary appeal process that integrates care and services across agencies to address needs in each area. It proposes to permit a single plan, in part, that provides a path for beneficiary claims. In addition, the donut hole will be closed after 2020, and discounts offered to low-income beneficiaries.

**Enhances the Medicare Program.** The Budget provides health care for all Americans, and

**Streamlines Systems and Lowers Drug Care.** The Budget proposes to implement a streamlined, single beneficiary appeals process for managed care plans and integrate Medicare and Medicaid payment services and serve Medicare-Medicaid enrollment to address the sometimes conflicting requirements in each program. The Budget also provides to permanently authorize a demonstration retroactive drug coverage for certain low-income Medicare beneficiaries through a single plan, establishing a single point of contact for beneficiaries seeking reimbursement for services. In addition, the Budget proposes to close the donut hole in the Part D benefit by 2015, rather than 2020, for brand drugs by increasing the discounts offered by the pharmaceutical industry.

**Enhances Accountability in the Medicaid Program.** Medicaid is critically important to providing health care coverage to the neediest Americans, and the Administration strongly

supports State efforts to expand Medicaid with the increased Federal funding provided in the Affordable Care Act. The Budget seeks to preserve the existing partnership between States and the Federal Government while making Medicaid more efficient and sustainable through sensible, targeted, Medicaid reforms. For example, the Budget helps States and the Federal Government leverage more efficient reimbursement rates for durable medical equipment based on Medicare rates. The Budget also better aligns Medicaid Disproportionate Share Hospital (DSH) payments with expected levels of uncompensated care by beginning the scheduled reductions in 2015, and bases future State DSH allotments on States' actual DSH allotments as reduced by the Affordable Care Act. In addition, the Budget would improve rebate and payment policies for Medicaid prescription drugs. These proposals are projected to save approximately \$16.9 billion over 10 years.

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**Table S-8. Bridge From Balanced Budget and Emergency Control Act (BBEDCA) Baseline to Adjusted Baseline**

(Deficit increases (+) or decreases (-) in billions of dollars)

	Totals															
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2014-2018	2014-2023		
<b>BBEDCA baseline deficit</b> .....	1,087	912	687	655	698	728	764	815	869	928	1,041	1,041	3,532	8,227		
<b>Adjustments for current policy:</b>																
Continue tax benefits provided under the American Taxpayer Relief Act (ATRA) <sup>1</sup> .....								2	30	31	32	33	33	2	161	
Prevent reduction in Medicare physician payments .....			15	21	22	23	22	25	27	29	32	32	32	103	249	
Reflect incremental cost of funding existing Pell maximum grant award .....			-1	-1	5	5	3	3	3	3	3	3	3	3	12	28
Reflect Postal Service default on 2013 retiree health benefit payment .....		6														-3
Subtotal .....		6	14	20	28	27	26	58	61	64	68	68	68	115	436	
<b>Adjustments for provisions contained in the Budget Control Act:</b>																
Set discretionary budget authority at cap levels .....			*	-20	-34	-43	-48	-53	-57	-62	-68	-71	-74	-198	-531	
Reflect Joint Committee enforcement .....				-50	-86	-101	-105	-107	-108	-108	-109	-48	-15	-450	-838	
Subtotal .....			*	-70	-120	-145	-154	-160	-165	-171	-176	-120	-88	-648	-1,369	
<b>Adjustments for disaster costs:</b>																
Remove non-recurring emergency costs .....					-9	-27	-40	-46	-50	-52	-55	-56	-58	-59	-171	-451
Add placeholder for future emergency costs <sup>2</sup> .....			1	5	7	8	9	9	10	10	10	10	10	10	38	88
<b>Reclassify surface transportation outlays:</b>																
Remove outlays from appropriated category .....		-1	-1	-1	-1	-2	-2	-2	-2	-2	-2	-2	-2	-2	-8	-16
Add outlays to mandatory category .....		1	1	1	1	2	2	2	2	2	2	2	2	2	8	16
Subtotal .....																
Total program adjustments .....			7	-60	-120	-148	-164	-174	-150	-154	-159	-99	-69	-666	-1,297	
Debt service on adjustments .....			*	_*	_*	-2	-8	-18	-29	-37	-46	-53	-58	-29	-252	
Total adjustments .....			7	-60	-120	-151	-172	-192	-179	-191	-204	-152	-127	-695	-1,549	
<b>Adjusted baseline deficit</b> .....	<b>1,087</b>	<b>919</b>	<b>627</b>	<b>536</b>	<b>547</b>	<b>556</b>	<b>571</b>	<b>637</b>	<b>678</b>	<b>723</b>	<b>889</b>	<b>913</b>	<b>2,837</b>	<b>6,678</b>		

\*\$500 million or less.  
<sup>1</sup>The baseline permanently continues the tax benefits provided to individuals and families that were extended only through taxable year 2017 under ATRA.  
<sup>2</sup>These amounts represent a placeholder for major disasters requiring Federal assistance for relief and reconstruction.

## S-9. Mandatory and Receipt Proposals

(Deficit increases (+) or decreases (-) in millions of dollars)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Totals	
												2014-2018	2014-2023
<b>Savings Consistent with the December Compromise Deficit Reduction Package:</b>													
<b>Health Savings:</b>													
Health and Human Services (HHS):													
Medicare providers:													
Bad debts:													
Reduce Medicare coverage of bad debts .....	-200	-860	-1,930	-2,570	-2,800	-3,000	-3,190	-3,410	-3,640	-3,890	-8,360	-25,490	
Graduate medical education:													
Better align graduate medical education payments with patient care costs .....	-780	-930	-960	-990	-1,050	-1,100	-1,170	-1,250	-1,330	-1,420	-4,710	-10,980	
Better align payments to rural providers with the cost of care:													
Reduce Critical Access Hospital (CAH) payments from 101% of reasonable costs .....	-90	-110	-120	-120	-130	-150	-160	-170	-190	-190	-570	-1,430	
Prohibit CAH designation for facilities that are less than 10 miles from the nearest hospital .....	-40	-50	-60	-60	-70	-70	-80	-80	-90	-90	-280	-690	
Cut waste, fraud, and improper payments in Medicare:													
Reduce fraud, waste, and abuse in Medicare .....	-20	-20	-20	-30	-50	-50	-50	-60	-60	-60	-120	-400	
Require prior authorization for advanced imaging .....													
Drug rebates and additional Part D savings:													
Align Medicare drug payment policies with Medicaid policies for low-income beneficiaries .....	-3,140	-7,720	-8,450	-9,720	-11,260	-12,510	-14,310	-16,400	-18,220	-21,440	-40,290	-123,170	
Accelerate manufacturer drug rebates to provide relief to Medicare beneficiaries in the coverage gap ..	-140	-230	-450	-760	-1,210	-1,780	-2,010	-2,320	-2,310	-1,580	-11,210		
Encourage efficient post-acute care:													
Adjust payment updates for certain post-acute care providers .....	-830	-1,930	-3,220	-4,540	-6,020	-7,870	-9,880	-12,140	-14,980	-17,630	-16,540	-79,040	
Equalize payments for certain conditions commonly treated in inpatient rehabilitation facilities and Skilled Nursing Facilities (SNFs) .....	-140	-160	-180	-180	-190	-200	-210	-220	-230	-240	-850	-1,950	
Encourage appropriate use of inpatient rehabilitation hospitals ...	-190	-250	-240	-240	-240	-250	-260	-260	-290	-300	-1,140	-2,520	

**S-9. Mandatory and Receipt Proposals—Continued**

(Deficit increases (+) or decreases (-) in millions of dollars)

											Totals		
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2014-2018	2014-2023
Adjust SNF payments to reduce hospital readmissions .....					-230	-270	-290	-310	-340	-370	-400	-500	-2,210
Implement bundled post-acute care payment .....						-290	-820	-1,520	-1,720	-1,850	-1,960	-290	-8,160
Additional provider efficiencies:													
Exclude certain services from the in-office ancillary services exception ..			-350	-550	-600	-640	-680	-730	-780	-830	-890	-2,140	-6,050
Reduce overpayment of Part B drugs ..		-220	-380	-390	-410	-440	-460	-490	-530	-560	-600	-1,840	-4,480
Modernize payments for clinical laboratory services .....				-120	-350	-610	-900	-1,240	-1,620	-2,060	-2,560	-1,080	-9,460
Expand sharing Medicare data with qualified entities .....													
Clarify the Medicare Fraction in the Medicare Disproportionate Share Hospital (DSH) statute .....													
Improve payment accuracy for Medicare Advantage (MA):													
Increase the minimum MA coding intensity adjustment .....			-320	-750	-1,180	-1,660	-1,890	-2,070	-2,270	-2,490	-2,710	-3,910	-15,340
Align employer group waiver plan payments with average MA plan bids .....			-280	-360	-360	-380	-420	-480	-540	-590	-640	-1,380	-4,050
Total, Medicare providers .....		-5,630	-13,480	-17,580	-22,030	-26,860	-31,870	-37,930	-43,820	-50,100	-57,330	-85,580	-306,630
Medicare structural reforms:													
Increase income-related premium under Medicare Parts B and D .....					-3,000	-3,000	-4,000	-7,000	-9,000	-11,000	-13,000	-6,000	-50,000
Modify Part B deductible for new enrollees .....					-50	-60	-250	-350	-760	-890	-960	-110	-3,320
Introduce home health co-payments for new beneficiaries .....					-20	-40	-70	-100	-130	-170	-200	-60	-730
Introduce a Part B premium surcharge for new beneficiaries who purchase near first-dollar Medigap coverage ..					-70	-180	-290	-410	-540	-670	-750	-250	-2,910
Encourage the use of generic drugs by low-income beneficiaries .....			-350	-500	-540	-630	-690	-750	-820	-900	-970	-2,600	-6,730
Strengthen the Independent Payment Advisory Board (IPAB) to reduce long-term drivers of Medicare cost growth ..													
Total, Medicare structural reforms .....		-350	-500	-540	-3,720	-3,910	-5,300	-8,610	-11,500	-14,000	-19,360	-9,020	-67,790
Interactions .....				20	30	50	1,770	2,500	2,950	1,860	5,290	100	14,470



**S-9. Mandatory and Receipt Proposals—Continued**

(Deficit increases (+) or decreases (-) in millions of dollars)

	2013-2023										Totals		
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2014-2018	2014-2023
Extend Centers for Medicare and Medicaid Services (CMS) quality measurement .....		10	30	30	30							100	100
Total, Medicaid and other .....		-302	-1,398	-2,694	-2,875	-3,020	-3,315	-3,585	-3,841	-4,099	-8,011	-10,289	-33,140
Provide administrative resources for implementation .....		100	250	50								400	400
Total, HHS health proposals .....		-6,182	-15,128	-20,744	-28,595	-33,740	-38,715	-47,625	-56,211	-66,339	-79,411	-104,389	-392,690
Office of Personnel Management: Modernize the Federal Employees Health Benefits Program (FEHBP):													
Streamline FEHBP pharmacy benefit contracting .....			-74	-140	-157	-167	-180	-195	-211	-227	-247	-538	-1,598
Offer an FEHBP Self+One option and domestic partner benefits .....			-345	-504	-519	-548	-581	-617	-653	-684	-721	-1,916	-5,172
Expand FEHBP plan types .....			4	-11	-15	-18	-24	-31	-41	-51	-69	-48	-264
Adjust FEHBP premiums for wellness .....			3	-11	-34	-60	-101	-154	-230	-316	-430	-102	-1,333
Total, modernize FEHBP .....			-420	-666	-725	-793	-886	-997	-1,135	-1,278	-1,467	-2,604	-8,367
Total, health savings .....		-6,182	-15,548	-21,410	-29,320	-34,533	-39,601	-48,622	-57,346	-67,617	-80,878	-106,993	-401,057
<b>Other Mandatory Savings:</b>													
Agriculture:													
Streamline conservation programs .....		-37	127	-10	-50	-193	-238	-273	-298	-358	-383	-163	-1,713
Reduce subsidies for crop insurance companies and farmer premiums .....			-513	-1,005	-1,238	-1,244	-1,274	-1,280	-1,294	-1,302	-1,310	-5,256	-11,716
Eliminate direct payments .....				-3,300	-3,300	-3,300	-3,300	-3,300	-3,300	-3,300	-3,300	-13,200	-29,700
Provide assistance for dairy and livestock producers .....		400	400	400	400	400	400	400	400	400	400	2,000	4,000
Provide assistance for specialty crops, bioenergy and beginning farmers .....		235	235	235	235	235	20	20	20	20	20	1,175	1,275
Total, Agriculture .....		85	-3,543	-3,913	-3,959	-4,114	-4,392	-4,433	-4,472	-4,540	-4,573	-15,444	-37,854
Health and Human Services:													
Provide dedicated, mandatory funding for Health Care Fraud and Abuse Control Program (HCFAC) program integrity:													
Administrative costs .....	303	329	672	706	725	745	765	786	807	829	852	3,177	7,216
Benefit savings .....	-450	-496	-546	-599	-628	-659	-690	-722	-755	-789	-824	-2,928	-6,708
Subtotal, provide dedicated, mandatory funding for HCFAC program integrity .....	-147	-167	126	107	97	86	75	64	52	40	28	249	508
Annual reduction to discretionary spending limits (non-add) .....			-311	-311	-311	-311	-311	-311	-311	-311	-311	-1,244	-2,799