



## DEPARTMENT OF HEALTH AND HUMAN SERVICES

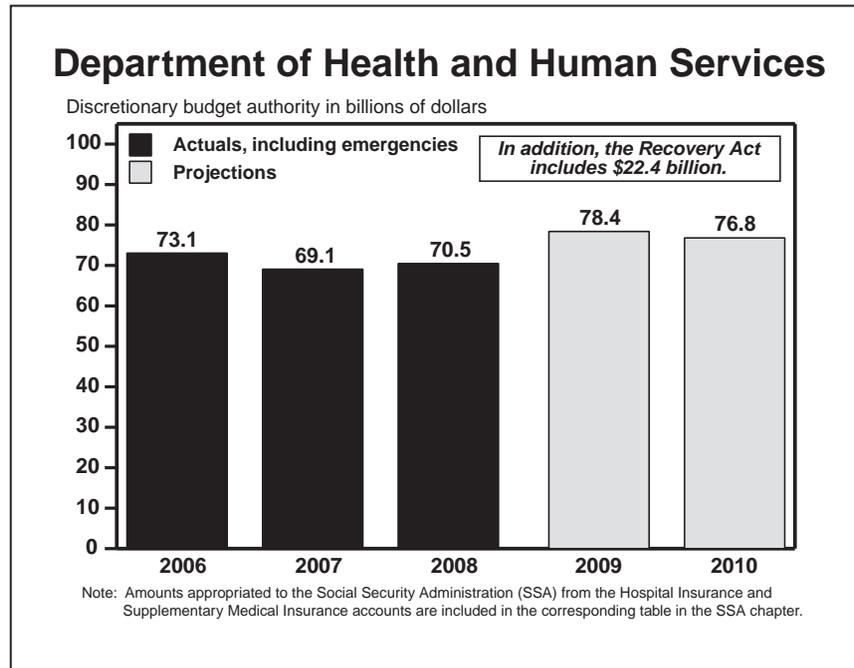
### Funding Highlights:

- Accelerates the adoption of health information technology and utilization of electronic health records.
- Expands research comparing the effectiveness of medical treatments to give patients and physicians better information on what works best.
- Invests over \$6 billion for cancer research at the National Institutes of Health as part of the Administration's multi-year commitment to double cancer research funding.
- Strengthens the Indian health system with sustained investments in health care services for American Indians and Alaska Natives to address persistent health disparities and foster healthy Indian communities.
- Invests \$330 million to increase the number of doctors, nurses, and dentists practicing in areas of the country experiencing shortages of health professionals.
- Supports families by providing additional funding for affordable, high-quality child care, expanding Early Head Start and Head Start, and creating the Nurse Home Visitation program to support first-time mothers.
- Strengthens the Medicare program by encouraging high quality and efficient care, and improving program integrity.
- Invests over \$1 billion for Food and Drug Administration food safety efforts to increase and improve inspections, domestic surveillance, laboratory capacity and domestic response to prevent and control foodborne illness.

The Department of Health and Human Services (HHS) is the Federal Government's principal agency for protecting the health of all Americans and for providing essential human services. This Budget provides \$76.8 billion in support of HHS' mission.

**Makes a Down Payment on Health Care Reform.** The Budget establishes a reserve fund of more than \$630 billion over 10 years to finance fundamental reform of our health care system

that will bring down costs and expand coverage. The reserve is funded half by new revenue and half by savings proposals that promote efficiency and accountability, align incentives toward quality, and encourage shared responsibility. In addition, the Budget calls for an effort beyond this down payment, to put the Nation on a path to health insurance coverage for all Americans. However, additional funding will be needed. This effort must be open, and must consider all kinds of approaches as part of this process. Some major



strides have already been made in the American Recovery and Reinvestment Act of 2009, including \$19 billion for health information technology, \$1 billion for comparative effectiveness research, and subsidies for the newly unemployed to maintain their health insurance. These initiatives put the Nation on the path toward fundamental health reform.

**Begin the Doubling of Funding for Cancer Research.** The Budget includes over \$6 billion within the National Institutes of Health (NIH) to support cancer research. This funding is central to the President's sustained, multi-year plan to double cancer research. These resources will be committed strategically to have the greatest impact on developing innovative diagnostics, treatments, and cures for cancer. This initiative will build upon the unprecedented \$10 billion provided in the Recovery Act, which will support new NIH research in 2009 and 2010.

**Accelerates the Adoption of Health Information Technology (IT).** Building on the historic \$19 billion investment in the Recovery Act, the Administration will continue efforts to further the adoption and implementation of health IT—an essential tool to modernize the health care system. The Recovery Act offers physi-

cians and hospitals participating in the Medicare program temporary incentive payments starting in 2011 for using a certified electronic health record (EHR), followed by financial penalties starting in 2015 for failure to use such a system. It also offers incentive payments to Medicaid providers, including physicians and children's hospitals, to assist with the purchase, implementation, and use of certified EHR technology. These incentives, coupled with other activities authorized in the Recovery Act, are expected to result in a dramatic increase in the percentage of health care providers using health IT within five years. Computerizing health records—while protecting the privacy and security of personal health information—is expected to facilitate improvements in the quality of health care, prevention of unnecessary health care spending, and a reduction in medical errors.

**Lowers Drug Costs and Improves Food and Medical Product Safety.** The Budget supports the Food and Drug Administration's (FDA's) new efforts to allow Americans to buy safe and effective drugs from other countries and to establish a new regulatory pathway to approve generic biologics. The Budget also includes a substantial increase to strengthen FDA's efforts to make food and medical products safer.

**Strengthens Program Integrity.** Reducing fraud, waste, and abuse is an important part of restraining spending growth and providing quality health care service delivery to beneficiaries. The Budget proposes to dedicate additional resources that will initially be targeted to improving oversight and program integrity activities for the Medicare Prescription Drug Program (Part D), Medicare Advantage, and the Medicaid Program. These resources will enable the Centers for Medicare and Medicaid Services to more rapidly respond to emerging program integrity vulnerabilities, identify excessive payments, and establish new processes for correcting problems. As a result, the Administration will be better able to minimize inappropriate payments, close loopholes, and provide greater value for program expenditures to beneficiaries and taxpayers.

**Improves Medicare's Sustainability.** The Administration is committed to strengthening Medicare's long-term sustainability so that beneficiaries can continue to rely on this critical program. The Budget strengthens the Medicare program by encouraging high quality and efficient care, and reducing excessive Medicare payments.

**Expands the Medicare and Medicaid Research Agenda.** The Budget includes new funding to broaden the Medicare and Medicaid research agenda. The expanded agenda will take advantage of the robust data available for these programs. New Medicare and Medicaid demonstration and pilot projects will evaluate payment reforms, ways to provide higher quality care at lower costs, improve beneficiary education and understanding of benefits offered, and better align provider payments with costs.

**Provides Health Care Coverage to Low-Income Individuals.** Medicaid is a means-tested health care entitlement program financed by States and the Federal Government. On average, the Federal Government pays 57 percent of Medicaid costs. The Recovery Act protects health care coverage for millions of Americans during the recession by temporarily increasing Federal Medicaid funding to help States facing budget shortfalls maintain their current programs.

In addition, the Children's Health Insurance Program Reauthorization Act of 2009, signed by the President on February 4, 2009, extends the program through 2013 by providing an additional \$44 billion in allotments above baseline funding levels of \$25 billion. This funding provides access to nearly four million newly insured children by 2013.

**Enhances HIV/AIDS Prevention and Treatment.** The Budget increases resources to detect, prevent, and treat HIV/AIDS domestically, especially in underserved populations.

**Strengthens the Health Professions Workforce.** The Budget invests \$330 million to address the shortage of health care providers in certain areas. The Budget expands loan repayment programs for physicians, nurses, and dentists who agree to practice in medically underserved areas. This funding will enhance the capacity of nursing schools to increase the number of nurses. It will also allow States to increase access to oral health care through dental workforce development grants. The Budget's new resources will sustain the expansion of the health care workforce funded in the Recovery Act.

**Expands Access to Health Care for American Indians and Alaska Natives (AI/ANs).** The Budget includes over \$4 billion for the Indian Health Service (IHS) to support and expand the provision of health care services and public health programs for AI/ANs. Investments in the Indian health system will focus on improving the health outcomes of AI/ANs and promoting healthy Indian communities. The President's Budget builds upon resources provided in the Recovery Act for IHS.

**Supports Americans with Autism Spectrum Disorders (ASD).** The President is committed to expanding support for individuals, families, and communities affected by ASD. The Budget includes \$211 million in HHS for research into the causes of and treatments for ASD, screenings, public awareness, and support services.

**Improves Rural Health.** The Budget includes \$73 million to improve both access to and quality of health care in rural areas. This funding will strengthen regional and local partnerships among rural health care providers, expand community-based prevention interventions, and promote the modernization of the health care infrastructure in rural areas.

**Compares the Effectiveness of Treatments.** Building on the unprecedented \$1.1 billion included in the Recovery Act for comparative effectiveness research, the Administration will continue efforts to produce state-of-the-science information on what medical treatments work best for a given condition. When coupled with electronic health records, these findings can form the basis for clinical decision support tools—distilling all available evidence on the outcomes of different treatment options into user-friendly pop-up alerts for physicians at the point of care. These findings can thereby enhance medical decision-making by patients and their physicians.

**Makes a Down Payment on the President’s “Zero to Five” Plan.** The Recovery Act makes a down payment on the President’s comprehensive Zero to Five plan, providing \$1.1 billion to double the number of children served by Early Head Start over two years, an additional \$1 billion to expand and improve Head Start, and an additional \$2 billion in funding for the Child Care and Development Block Grant. The Budget sustains critical support for young children and their families by building on these investments.

The Budget also creates the Nurse Home Visitation program, which will provide funds to States to provide home visits by trained nurses to first-time low-income mothers and mothers-to-be. The program has been rigorously evaluated over time and proven to have long-term effects including substantial reductions in child abuse and neglect, preterm births, and arrests for both parents and adolescents who participated in the

program as children, putting estimates of its return-on-investment between 3 to 6 dollars per dollar invested. This Budget builds the foundation for a program that could ultimately serve all eligible mothers who seek services.

**Provides Energy Assistance to Low-Income Families.** The Budget provides \$3.2 billion for the Low-Income Home Energy Assistance Program (LIHEAP) to help low-income families with their home heating and cooling expenses. That is the highest level of LIHEAP funding for any year except for the most recent, when the Nation was threatened with an unprecedented increase in energy costs. In addition, the Administration proposes creating a new trigger mechanism to provide automatic increases in energy assistance whenever there is a spike in energy costs. The normal appropriations process cannot always respond to the volatile energy market on a timely basis; the trigger will ensure a prompt and potentially significant increase in funds in response to a rapid future rise in costs.

**Prevents Teen Pregnancy.** The Budget supports State, community-based, and faith-based efforts to reduce teen pregnancy using evidence-based models. The program will fund models that stress the importance of abstinence while providing medically-accurate and age-appropriate information to youth who have already become sexually active.

**Provides Support for Other Presidential Initiatives.** The Budget includes funding to reduce domestic violence and enhance emergency care systems. It also expands the treatment capacity of drug courts including services to protect methamphetamine’s youngest victims. Substance addiction is a preventable and treatable chronic condition and this initiative helps address the most urgent needs. The Budget also provides resources to reduce health disparities, which the President has identified as an important goal of his Administration.



## DEPARTMENT OF HEALTH AND HUMAN SERVICES

### Funding Highlights:

- Supports health insurance reform by expanding patient-centered health research to give patients and physicians the best available information on what treatments will work the best for them; supporting investments in health information technology; expanding prevention and wellness activities; and launching payment reform demonstration programs in Medicare.
- Adds \$290 million for health centers to expand health care access to the medically underserved.
- Expands support for biomedical research, by providing an increase of \$1 billion for the National Institutes of Health.
- Invests approximately \$1.4 billion to strengthen food safety efforts and implement core principles of the President's Food Safety Working Group.
- Supports over 8,500 health care professionals in medically underserved areas through the National Health Service Corps.
- Continues a commitment to invest in the Indian health system to eliminate health disparities by increasing access to health care services among American Indians and Alaska Natives.
- Invests in our Nation's prevention and wellness activities to improve health outcomes and lower costs, through the Federal workforce, community-based and State and local efforts.
- Invests more than \$3 billion for HIV/AIDS prevention and treatment activities to expand access to affordable health care and prevention services.
- Includes \$25.5 billion for a six-month extension of the American Recovery and Reinvestment Act (ARRA) temporary increase in the Federal Medicaid match.
- Improves preparedness by increasing funding for biodefense medical countermeasure development.
- Places a renewed emphasis on preventing, detecting, and recouping fraudulent, wasteful, and abusive payments in Medicare, Medicaid, and the Children's Health Insurance Program.
- Expands and strengthens early education and child care programs by extending the ARRA expansion of Head Start and Early Head Start, providing an increase of \$1.6 billion for child care to serve 235,000 more children than could be served without the additional funds in 2011, and supporting work with the Congress to improve quality in the Child Care and Development Fund.
- Increases help for families caring for aging relatives at home.

The Department of Health and Human Services (HHS) is the principal Federal agency charged with protecting the health of all Americans and providing essential human services. This Budget includes \$81.3 billion to support HHS's mission.

**Builds on Health Information Technology (IT) Adoption Momentum.** The Administration continues to prioritize adoption and use of health IT. The Budget includes \$110 million for continuing efforts to strengthen health IT policy, coordination, and research activities. Combined with the ARRA Federal grant and incentives programs designed to assist providers with adoption and meaningful use of electronic health records, these efforts will positively affect and improve the quality of health care while protecting privacy and security of personal health information.

**Increases Investment in Patient-Centered Health Research.** The Budget includes \$286 million in the Agency for Healthcare Research and Quality for research that compares the effectiveness of different medical options, building on the expansion of this research begun under ARRA. The dissemination of this research is expected to lead to higher quality, evidence-based medicine, arming patients and physicians with the best available information to allow them to choose the medical option that will work the best for them.

**Expands Affordable High-Quality Primary and Preventive Care.** The Budget includes \$2.5 billion for health centers to provide affordable high quality primary and preventive care to underserved populations, including the uninsured. This will allow health centers to continue to provide care to the 2 million additional patients they served under ARRA and support approximately 25 new health center sites. In 2008, health centers provided direct health care services to 17 million people. In 2011, the Health Center program will expand its partnerships with other Federal agencies as part of the Administration's place-based initiative to revitalize neighborhoods. The Budget also includes funding to expand the integration of behavioral health into

existing primary health care systems, enhancing the availability and quality of addiction care.

**Funds Innovative Efforts to Improve Services for Seniors and People with Disabilities.** The Budget includes new Medicare and Medicaid demonstration projects that evaluate reforms to provide higher quality care at lower costs, improve beneficiary education and understanding of benefits offered, and better align provider payments with costs and outcomes. Special emphasis will be placed on demonstrations that improve care coordination for beneficiaries with chronic conditions, that better integrate Medicare and Medicaid benefits, and that provide higher value for dollars spent. The Budget will also support the Year of Community Living Initiative to promote collaboration between HHS and the Department of Housing and Urban Development to expand access to housing and community supports to enable people with disabilities to live in the community, as opposed to in institutional settings.

**Supports Biomedical Research at the National Institutes of Health (NIH).** To accelerate progress in biomedical research, NIH investments will focus on priority areas including genomics, translational research, science to support health care reform, global health, and reinvigorating the biomedical research community. The Budget includes \$6,036 million to support a range of bold and innovative cancer efforts, including the initiation of 30 new drug trials in 2011, and a doubling of the number of novel compounds in Phase 1–3 clinical trials by 2016. In addition, the Budget will support the completion of a comprehensive catalog of cancer mutations for the 20 most common malignancies, setting the stage for complete genomic characterization of every cancer as part of medical care within 10 years.

**Supports Americans with Autism Spectrum Disorders (ASD).** The Budget includes \$222 million across HHS to expand research, detection, treatment, and other activities related to improving the lives of individuals and families affected by ASD. NIH will pursue comprehensive

and innovative approaches to defining the genetic and environmental factors that contribute to ASD, investigate epigenomic changes in the brain, and accelerate clinical trials of novel pharmacological and behavioral interventions by 2016.

**Improves Access to and the Quality of Health Care in Rural Areas.** The Budget includes \$79 million for an initiative to strengthen regional and local partnerships among rural health care providers, increase the number of health care providers in rural areas, and improve the performance and financial stability of rural hospitals.

**Increases Number of Primary Health Care Providers.** The Budget invests \$169 million in the National Health Service Corps (NHSC) to place providers in medically underserved areas to improve access to needed health care services. Under NHSC, primary health professionals such as physicians, nurse practitioners, and dentists agree to serve in a medically underserved community in exchange for receiving a portion of their student loans paid off. In 2011, the requested increase will add 400 NHSC clinicians to the more than 8,100 that will be providing essential primary and preventative care services in health care facilities across the country.

**Continues Efforts to Increase Access to Health Care for American Indians and Alaska Natives (AI/ANs).** The Budget includes \$4.4 billion for the Indian Health Service (IHS) to expand investments initiated in 2010. Increases for IHS will strengthen existing Federal, tribal, and urban programs that serve 1.9 million AI/ANs at approximately 600 facilities nationwide, and will expand access to Contract Health Services to cover health care services provided outside of the Indian health system when services are not available at IHS-funded facilities. The Budget will also fund staff and operating costs at new and expanded facilities to increase access to health care services and enhance the Indian health system. The efforts supported in the Budget to expand health services in Indian communities also include an analysis of how IHS can

improve distribution of resources throughout the Indian health system.

**Expands and Strengthens Prevention and Wellness Activities.** The Budget bolsters core prevention activities by expanding community health activities, strengthening the public health workforce, and enhancing surveillance and health statistics to improve detection and monitoring of chronic disease and health outcomes. The Budget funds a new effort in up to 10 of the largest cities in the United States to reduce the rates of morbidity and disability due to chronic disease through effective policy and environmental change strategies. The Budget also supports a new health prevention workforce to improve capacity of State and local health departments.

**Invests in Wellness Initiatives for the Federal Workplace to Improve Health and Lower Costs.** The Budget invests \$10 million for the Federal employee workplace wellness initiative. This initiative will implement prototype wellness programs in select locations that will be rigorously evaluated for their ability to produce a healthier workforce and lower healthcare costs. By encouraging the adoption of these programs, we can improve the productivity of our workforce, delay or avoid many of the complications of chronic disease, and slow medical cost growth.

**Expands and Focuses HIV/AIDS Treatment, Care, and Prevention Activities.** The Budget expands access to HIV/AIDS prevention and treatment activities consistent with the President's pledge to develop a National HIV/AIDS Strategy that will focus on reducing HIV incidence, increasing access to care and optimizing health outcomes, and reducing HIV-related health disparities. The Budget focuses HIV testing among high-risk groups, including men who have sex with men, African Americans, and Hispanics. The Budget increases resources for the Ryan White program to support the care and treatment needs for persons living with HIV/AIDS who are unable to afford health care and related support services. The Budget directs resources to reduce HIV-related health disparities by expanding HIV/AIDS medical services within

populations disproportionately impacted by the epidemic. The Budget also enhances funding for collaboration and integration activities to improve overall health outcomes for those with HIV/AIDS and co-infections with tuberculosis, hepatitis, and sexually transmitted diseases.

**Expands Substance Abuse Prevention and Treatment Activities.** The Budget expands substance abuse treatment services at IHS facilities and federally qualified health centers, and provides \$23 million for comprehensive substance abuse prevention services targeting early risk factors that can improve health outcomes for children and young adults. To assist in recovery to reduce recidivism, the Budget provides \$56 million to expand the treatment capacity at drug courts and \$23 million for re-entry programs. These activities are a part of over \$150 million in new funding for the Departments of Health and Human Services and Justice (DOJ) to reduce the Nation's demand for drugs by strengthening efforts to detect and prevent illicit drug use in our communities, expanding early drug abuse intervention in the primary health care system, enhancing specialty addiction treatment services, and breaking the cycle of illicit drug use, crime, and incarceration.

**Bolsters the Safety of our Food and Medicines.** The Budget provides \$2.5 billion in budget authority and \$4.0 billion in total program resources for the Food and Drug Administration (FDA). The Budget enables FDA to implement the core principles recommended by the President's Food Safety Working Group: prioritizing prevention; strengthening surveillance and enforcement; and improving response and recovery. The Budget also includes increases to bring more safe, effective, and lower cost generic drugs and generic biologics to market, expand postmarket safety surveillance of medical products, and support FDA's efforts to make such safety data more comprehensive and accessible to patients, providers, and scientists in a way that also protects privacy.

**Strengthens the Nation's Preparedness Against Naturally Occurring Threats and Intentional Attacks.** The Budget increases support to over \$400 million to enhance the Advanced Development of next generation medical countermeasures against chemical, biological, radiological and nuclear threats. The Department has invested \$5.6 billion since 2005 to enhance the Nation's ability to rapidly respond to an influenza pandemic. In April 2009, the President requested resources from the Congress to enable additional efforts to respond to the 2009 H1N1 virus that had recently emerged and in June, the Congress provided \$7.65 billion in the Supplemental Appropriations Act 2009. By the end of 2009, more than \$3.6 billion had been spent as the Federal Government procured H1N1 vaccines, mounted a mass vaccination campaign, provided resources to the States to enhance public health response efforts, and provided critical anti-viral medications and personal protective equipment. In 2010, HHS will continue to use these resources to build the U.S.-based influenza vaccine production capacity and shift to non-egg based production technologies and invest in the development of improved diagnostics. Approximately \$330 million of these resources is expected to be spent in 2011. These ongoing activities to reduce the impact of influenza pandemics will be funded from resources in the 2009 Supplemental for pandemic influenza.

**Fights Waste and Abuse in Medicare, Medicaid, and the Children's Health Insurance Program (CHIP).** Reducing fraud, waste, and abuse is an important part of restraining spending growth and providing quality service delivery to beneficiaries. In November 2009, the President signed an Executive Order to reduce improper payments by boosting transparency, holding agencies accountable, and creating incentives for compliance. This Budget puts forward a robust set of proposals to strengthen Medicare, Medicaid and CHIP program integrity actions, including proposals aimed at preventing fraud and abuse before they occur, detecting it as early as possible when it does occur, and vigorously enforcing all penalties and recourses available when fraud is identified. It proposes \$250 million in addition-

al resources that, among other things, will help expand the Health Care Fraud Prevention and Enforcement Action Team (HEAT) initiative, a joint effort by HHS and DOJ. As a result, the Administration will be better able to minimize inappropriate payments, close loopholes, and provide greater value for program expenditures to beneficiaries and taxpayers. Also, to improve quality and safety, the Administration will strengthen its Medicare requirements to assure that air ambulance operators comply with aviation safety standards.

**Supports Young Children and Their Families.** The Budget provides critical support for young children and their families by building on historic increases provided in ARRA. The Budget provides an additional \$989 million for Head Start and Early Head Start to continue to serve 64,000 additional children and families funded in ARRA. The Budget also provides an additional \$1.6 billion for the Child Care and Development Fund in preparation for reauthorization to expand child care opportunities, and improve health, safety, and outcomes for children. This request will allow States to provide child care subsidies to 1.6 million children, 235,000 more than could be served without the increase.

**Helps Families Care for Aging Relatives.** The Budget includes \$103 million for the Administration on Aging's Caregiver Initiative, an effort to expand help to families and seniors so that caregivers can better manage their multiple responsibilities and seniors can live in the commu-

nity for as long as possible. Without creating new programs, this initiative provides new resources to support the network of agencies in local communities across the country that already provide critical help to seniors and caregivers.

**Provides Energy Assistance to Low-Income Families.** The Budget includes \$3.3 billion for the Low Income Home Energy Assistance Program to help low-income families with their home heating and cooling expenses. In addition, the Administration proposes a new trigger mechanism to provide automatic increases in energy assistance whenever there is a spike in energy costs or large numbers of families in poverty. The trigger allows the program to be more responsive to volatile energy markets and to increased demand for energy assistance during times of economic hardship. Using probabilistic scoring, we expect the trigger to provide roughly \$2 billion in additional assistance in 2011 and \$6.5 billion over 10 years.

**Help States Provide Health Care Coverage to Low-Income Individuals.** The Budget includes \$25.5 billion to support State Medicaid programs by temporarily increasing Federal Medicaid funding for six months through June 2011. The Federal Medical Assistance Percentage (FMAP) increase has been an effective way to help States maintain their Medicaid programs during a period of high enrollment growth and reduced State revenue, and provide immediate and ongoing State fiscal relief.

**Department of Health and Human Services**  
(In millions of dollars)

	Actual 2009	Estimate	
		2010	2011
<b>Spending</b>			
Discretionary Budget Authority:			
Food and Drug Administration <sup>1</sup> .....	2,061	2,362	2,508
<i>Program Level (non-add)</i> .....	2,691	3,284	4,031
Health Resources and Services Administration .....	7,243	7,484	7,512
Indian Health Service .....	3,581	4,053	4,406

**Department of Health and Human Services—Continued**  
(In millions of dollars)

	Actual 2009	Estimate	
		2010	2011
Centers for Disease Control and Prevention .....	6,357	6,467	6,342
National Institutes of Health .....	30,096	31,089	32,089
Substance Abuse and Mental Health Services Administration .....	3,335	3,432	3,541
Agency for Healthcare Research and Quality .....	—	—	—
<i>Program Level (non-add)</i> .....	372	397	611
Centers for Medicare & Medicaid Services (CMS) <sup>2</sup> .....	3,522	3,415	3,601
Discretionary Health Care Fraud and Abuse Control .....	198	311	561
Administration for Children and Families .....	17,225	17,336	17,480
Administration on Aging .....	1,488	1,513	1,625
General Departmental Management .....	395	500	544
Office of Civil Rights .....	40	41	44
Office of the National Coordinator for Health Information Technology .....	44	42	78
<i>Program Level (non-add)</i> .....	61	61	78
Office of Medicare Hearings and Appeals .....	65	71	78
Public Health and Social Services Emergency Fund .....	1,399	1,347	735
Office of Inspector General .....	45	50	52
All other .....	58	61	61
Subtotal, Discretionary budget authority .....	77,152	79,574	81,257
Unallocated Bioshield Balances Transferred from Department of Homeland Security <sup>3</sup> .....	—	2,424	—
Total, Discretionary budget authority .....	77,152	81,998	81,257
<i>Memorandum:</i>			
<i>Budget authority from American Recovery and Reinvestment Act</i> .....	22,397	—	—
<i>Budget authority from supplementals</i> .....	9,119	—	—
Total, Discretionary outlays <sup>2</sup> .....	74,921	82,266	82,803
<i>Memorandum: Outlays from American Recovery and Reinvestment Act</i> .....	682	8,437	10,100
<b>Mandatory Outlays:</b>			
Medicare			
Existing law <sup>4</sup> .....	424,828	450,664	489,305
Legislative proposal .....	—	—	-722
Medicaid <sup>5</sup>			
Existing law .....	226,885	245,118	264,498
Legislative proposal .....	—	15	25,280
All other			
Existing law .....	34,503	34,872	35,915
Legislative proposal .....	—	—	3,774
Total, Mandatory outlays .....	686,216	730,669	818,050

**Department of Health and Human Services—Continued**  
(In millions of dollars)

	Actual 2009	Estimate	
		2010	2011
<i>Memorandum: Outlays from American Recovery and Reinvestment Act .....</i>	32,673	45,674	21,520
<b>Total, Outlays .....</b>	<b>761,137</b>	<b>812,935</b>	<b>900,853</b>

<sup>1</sup> FDA 2009 budget authority increased by \$6 million due to timing and availability of user fees.

<sup>2</sup> Amounts appropriated to the Social Security Administration (SSA) from the Hospital Insurance and Supplementary Medical Insurance accounts are included in the corresponding table in the SSA chapter.

<sup>3</sup> In 2010, \$3,033 million from the Bioshield Special Reserve Fund (SRF) was transferred from the Department of Homeland Security to the Department of Health and Human Services. Of this amount, \$609 million was redirected to support Advanced Development and NIH, and \$2,424 million remains as balances in the SRF. In 2011, \$476 million from the SRF will be used to support the Biomedical Advanced Research and Development Authority.

<sup>4</sup> Includes \$44 million in 2009, \$36 million in 2010, and \$3 million in 2011 of CMS Program Management mandatory funding. Social Security Medicare Improvements for Patients and Providers Act (MIPPA) funding is included in the corresponding table of the SSA chapter.

<sup>5</sup> Totals include Medicaid, CHIP, and CHIP Child Enrollment Contingency Fund outlays.



## DEPARTMENT OF HEALTH AND HUMAN SERVICES

### Funding Highlights:

- Provides \$79.9 billion, which is slightly above the 2010 funding level. This supports Administration priorities such as implementation of the Affordable Care Act, biomedical research, and Head Start. Savings are achieved through reductions in the Community Services Block Grant and home energy assistance.
- Includes significant deficit reduction resulting from the passage of the Affordable Care Act.
- Supports new consumer protections and review of unreasonable premium increases, expands coverage for uninsured Americans with pre-existing conditions, and funds programs to hold health insurance companies more accountable to their enrollees.
- Continues a commitment to strengthen program integrity in Medicare, Medicaid, and the Children's Health Insurance Program, and provides new resources to reach the Administration's goal of reducing the Medicare fee-for-service error rate in half by 2012.
- Invests in America's competitiveness through funding for biomedical research.
- Strengthens national preparedness through funding for the advanced development of next generation medical countermeasures against chemical, biological, radiological and nuclear threats.
- Invests approximately \$3.5 billion for discretionary HIV/AIDS prevention and treatment activities across the Department to expand access to affordable health care and prevention services and align activities with the National HIV/AIDS Strategy.
- Increases access to health care services among American Indians and Alaska Natives.
- Ensures our Nation's food safety system is stronger and more reliable by implementing key provisions of the FDA Food Safety Modernization Act and recommendations from the President's Food Safety Network Working Group.
- Builds on the President's Zero to Five Agenda to improve outcomes for America's children with investments in Child Care and Head Start.
- Proposes reforms to child welfare to improve outcomes for children in key areas, such as safety and permanency.
- Supports the President's fatherhood agenda by encouraging States to ensure that when fathers do the right thing and pay child support, their children benefit.

The Department of Health and Human Services (HHS) is the principal Federal agency charged with protecting the health of all Americans and providing essential human services. The President's Budget includes \$79.9 billion to support HHS's mission. Within this level, the Department is taking on significant new responsibilities through implementing the Affordable Care Act and the new food safety law, as well as strengthening program integrity. On the health side, biomedical research is funded at \$32 billion at the National Institutes of Health, an increase of \$740 million over the 2010 level (post-transfers). In addition, the Budget supports other priorities, such as the training of primary care providers. These increases are offset by a series of consolidations and eliminations among public health programs that we can no longer afford, such as the elimination of a children's hospital graduate medical education program. On the human services side, the Budget invests in Head Start and child care, which are critical to boosting the long-run prospects of children, and proposes reforms in child care, child welfare, and child support. To tighten our belts, the Budget cuts and reforms the Community Services Block Grant and brings funding for energy assistance to low-income families back down to previous levels.

### ***Improves Health Care Services and Reduces Cost to Taxpayers***

**Reduces Our Long-term Budget Deficit and Provides New Benefits for Americans through Implementation of the Affordable Care Act (ACA).** The ACA is estimated to reduce the deficit by approximately \$230 billion over the next decade and about \$1 trillion over the second decade, based on the most recent Congressional Budget Office analysis. The ACA reduces the deficit by employing a wide range of strategies that achieve the goal of delivering better health care for less, including provisions to fight waste, fraud, and abuse; reward providers for delivering high-quality care; and reform America's health care delivery system by developing innovative ways to deliver care for patients. Benefits include new consumer protections; expanding coverage

to uninsured Americans with pre-existing conditions; helping employers provide coverage for early retirees; supporting development of competitive health insurance marketplaces, which will enable Americans to pool their buying power for more affordable coverage; strengthening the Medicare trust funds; reducing costs for Medicare beneficiaries; promoting high quality patient care; providing assistance to States expanding Medicaid coverage for low-income adults; and expanding options to provide home and community-based service alternatives to institutional settings in Medicaid. For the Early Retiree Reinsurance Program, HHS is closely monitoring the Program, and as further data become available on implementation, we look forward to working with the Congress to address emerging issues.

**Supports Reforming Medicare's Payments to Physicians to Improve Quality and Efficiency.** Medicare physician payments are determined under a formula, commonly referred to as the "sustainable growth rate." This formula calls for reductions in physician payment rates, which Congress has overridden consistently since 2003. In December, the Administration worked with the Congress to offset legislation preventing a 25 percent cut to physician payment rates for 2011. The Budget goes further by proposing to continue the current payment levels and offset the costs for the next two years with specific health savings and assumes sustainable growth rate relief in future years will be fully offset, consistent with recent congressional action. The Administration is committed to working with the Congress to achieve permanent, fiscally responsible reform and to give physicians incentives to improve quality and efficiency, while providing them with predictable payments for the care they furnish to Medicare beneficiaries.

**Reduces Fraud, Waste, and Abuse in Medicare, Medicaid, and the Children's Health Insurance Program (CHIP).** In June, 2010, the President announced a goal of reducing the Medicare fee-for-service improper payment rate to half of its current level by 2012. The Budget puts forward a robust set of proposals to reach the President's goal, as well as to strengthen

Medicare and Medicaid program integrity more broadly. For example, the Budget proposes requiring State Medicaid agencies to track and monitor prescription drug billing, prescribing, and utilization patterns that could be indicative of abuse; it also proposes limiting State financing practices that increase Federal Medicaid spending, starting in 2015, as recommended by the National Commission on Fiscal Responsibility. Additionally, it provides \$581 million in discretionary program integrity funding to implement activities to reduce the payment error rate and enhance civil and criminal enforcement for Medicare, Medicaid, and CHIP. The Budget also prioritizes effective implementation and application of program integrity tools and resources that were provided by the ACA, including enhanced provider screening and participation requirements, improved data analysis capabilities, expanded overpayment recovery activities, and enhanced law enforcement authorities. As a result, the Administration will be better able to minimize inappropriate payments, protect against fraud, and provide greater value for program expenditures to beneficiaries and taxpayers.

**Increases Affordability and Reduces Costs for Prescription Drugs Across Federal Programs.** The high cost of prescription drugs is a burden for many Americans. The Administration will accelerate access to more affordable pharmaceuticals that will lead to cost savings for consumers and health programs across the Federal Government. The President's Budget includes two proposals to increase availability of generic drugs by providing the Federal Trade Commission authority to stop drug companies from entering into anticompetitive agreements intended to block consumer access to safe and effective generics, and hastening availability of generic biologics while retaining the appropriate incentives for research and development for the innovation of breakthrough products.

**Undertakes a New Approach to Preventing Chronic Diseases through a Consolidated and Reformed Chronic Disease Program.** The Administration creates a new Comprehensive Chronic Disease Prevention Program (CCDPP) by consolidating Centers for Disease Control and

Prevention (CDC) Heart Disease and Stroke, Diabetes, Cancer, Arthritis and other Conditions, Nutrition, Health Promotion, Prevention Centers, and select school health activities into one competitive grant program. These inter-related conditions share many common risk factors and interventions that would benefit from coordinated, collaborative implementation with consolidated leadership and oversight to foster collaboration and coordination and improve efficiency among these specific programs. The CCDPP also provides States with additional flexibility to address the top five leading causes of death, while increasing accountability and improving health outcomes. This new approach will improve overall health outcomes while also strengthening accountability of Federal resources.

**Maintains Continuity of Coverage for Low-Income Individuals.** The Budget extends Transitional Medical Assistance, which provides continued Medicaid eligibility for welfare recipients transitioning to work, and the Qualified Individuals program, which pays Medicare Part B premiums for qualified low-income seniors.

**Strengthens the Health Professions Workforce.** Strengthening the primary care workforce is critical to reforming the Nation's health care system. Increasing access to primary care health providers can help prevent disease and illness, ensure all Americans have access to high-quality care, and reduce costs by decreasing the need for more invasive treatment that could have been prevented through early care. To increase access to this type of care, the Administration provides increased resources for primary care training and support for health care providers who choose to enter primary care in medically underserved areas. In total, the Budget includes investments that will help train more than 4,000 primary care providers estimated to enter the workforce over the next five years. In addition, because health workforce needs and solutions are not all the same across the country, the Federal Government will partner with States to plan for and implement their own innovative solutions to increase the number of primary care providers in their States.

**Improves Access to Health Care for American Indians and Alaska Natives (AI/ANs).**

The Budget includes \$4.624 billion for the Indian Health Service (IHS) to strengthen Federal, tribal, and urban programs that serve 1.9 million AI/ANs at approximately 650 facilities nationwide. The Administration will also expand access to critical Contract Health Services to cover health care services provided outside of the Indian health system when services are not available at IHS-funded facilities. In addition, the Administration funds staff and operating costs at new and expanded facilities to increase access to health care services and enhance the Indian health system.

***Invests in Science for a Healthy Economy***

**Supports Biomedical Research at the National Institutes of Health (NIH).** Biomedical research is essential to the health of the American people and the health of our economy. Innovation in this field creates and sustains companies, products, and jobs. The Budget includes \$32 billion for basic and applied biomedical research supported by NIH both on-campus and at academic and independent research institutions across the country. Through implementation of the National Center for Advancing Translational Sciences and the Cures Acceleration Network, NIH will increase its focus on bridging the translational divide between basic science and therapeutic applications. By fostering novel collaborations among government, academia, and industry, NIH will accelerate the development of treatments for diseases and disorders that affect millions of Americans. NIH will continue to pursue the leading edge of discovery in basic cancer science, development of new cancer treatments, and prevention and early detection of cancer, focusing on recent discoveries regarding cancer genomes. For Alzheimer's disease, NIH is partnering with the private sector to find new methods for early diagnosis and to support early drug discovery and preclinical drug development. Ongoing research into environmental factors, early detection, and novel

treatments will transform our understanding and care for those with autism spectrum disorders.

**Strengthens the Nation's Preparedness Against Naturally Occurring Threats and Intentional Attacks.**

The Administration provides \$765 million to enhance the advanced development of next generation medical countermeasures against chemical, biological, radiological and nuclear threats. Additionally, \$655 million is provided to ensure the availability of medical countermeasures from the Strategic National Stockpile during a public health emergency. The Department has invested \$6.5 billion since 2005 to enhance the Nation's ability to rapidly respond to an influenza pandemic. During the 2009 H1N1 pandemic, the Department built on these investments using funds appropriated for H1N1 response by the Congress in a pandemic influenza supplemental, as well as existing funds, for a total of \$5.3 billion. Remaining pandemic influenza funding has been allocated to enhance preparedness for future pandemics and other public health emergencies, including an extensive long-term effort to improve the Nation's medical countermeasure enterprise. In 2012, HHS will continue to use these resources to build the U.S.-based advanced manufacturing facilities for vaccines and other biologics and support the development of recombinant and molecular vaccines.

**Bolsters the Safety of the Nation's Food and Medicines.**

The Budget includes \$2.7 billion in budget authority and \$4.4 billion in total program resources for the Food and Drug Administration (FDA). The Budget enables FDA to further the core principles recommended by the President's Food Safety Working Group and implement key elements of the Food Safety Modernization Act. The Administration will work with the Congress to enact additional food safety fees to support the full implementation of the FDA Food Safety Modernization Act and the Budget reflects the collection of these fees in 2013 and beyond. In 2012, FDA will advance efforts to implement the ACA provisions to establish a pathway to approve biosimilar products and to improve nutrition labeling. To better protect health in response to natural or intentional threats, the Ad-

ministration also invests in FDA's efforts to advance regulatory science and support the review of new medical countermeasures for chemical, radiological, biomedical, and nuclear threats.

### ***Keeps America Healthy***

**Makes Sound Investments in Proven Prevention Strategies.** The Administration promotes wellness and reduces the national burden of chronic disease by allocating \$1 billion within the Prevention and Public Health Fund (Fund), which was included in the ACA. The Budget allocates \$1 billion within the Fund for activities that have demonstrated improved health outcomes and will help reduce health care costs. The Budget also establishes a new Baby Friendly Hospital Initiative to promote breastfeeding, and supports new Community Transformation grants to improve the health of the Nation. Within CDC, the Budget also includes \$47 million to reduce healthcare associated infections (HAIs) and expands reporting of HAIs through hospitals and Ambulatory Surgical Centers.

**Continues Critical Funding for Health Centers.** Health centers are a key component of the Nation's health care safety net. These sites offer comprehensive, high quality, primary and preventative health care services to all Americans regardless of ability to pay. Health centers will continue to be a critical element of the health system as the Nation expands insurance coverage through the ACA. In 2009, the Recovery Act provided \$500 million to expand health center services to an additional 2 million patients. The ACA continues this progress by investing a total of \$2.2 billion in new resources for health center services in 2011 and 2012. The Budget builds on this investment by providing an additional \$2.1 billion. In 2012, health centers are estimated to serve 24 million patients.

**Invests in Mental Health and Substance Abuse Prevention Efforts.** Within the Substance Abuse and Mental Health Services Administration (SAMHSA), the Administration provides \$535 million for prevention services targeting early risk factors that can improve

behavioral health outcomes for children and young adults. To assist military members and their families with the effects of deployment, the Administration supports a new \$10 million initiative to increase access to mental health and substance abuse prevention, treatment, and recovery services. The Budget also includes \$154 million for behavioral health supportive services for homeless individuals and families with mental and substance abuse disorders to transition into permanent supportive housing.

**Supports the National HIV/AIDS Strategy and Expands Access to Treatment, Care, and Prevention.** The Budget expands access to HIV/AIDS prevention and treatment activities and supports the goals of the National HIV/AIDS Strategy: reducing HIV incidence, increasing access to care and optimizing health outcomes, and reducing HIV-related health disparities. The Budget prioritizes HIV/AIDS resources within high burden communities and among high-risk groups, including men who have sex with men, African Americans, and Hispanics and realigns resources within CDC, Health Resources and Services Administration, SAMHSA, and the Office of the Secretary to support the National HIV/AIDS Federal Implementation Plan. The Administration also increases resources for the Ryan White program to expand access to life-saving HIV-related medications. The Budget also improves health outcomes by allowing CDC and States to transfer up to 5 percent across HIV/AIDS, tuberculosis, sexually transmitted diseases, and hepatitis programs to improve coordination and integration. The Budget includes \$22 million for the Enhanced Comprehensive HIV Prevention program for metropolitan areas most affected by the HIV epidemic.

### ***Provides Services for Vulnerable Populations in a Cost-Effective Way***

**Continues Strong Support for High-Quality Early Childhood Programs.** Because effective investment in early childhood is so critical to children's ability to reach their full potential and the Nation's future economic health, the Budget includes \$8.1 billion for Head Start and

Early Head Start to serve approximately 968,000 children and families, maintaining the historic expansion undertaken with Recovery Act funds. The Budget similarly includes an additional \$1.3 billion to support 1.7 million children with child care subsidies. At the same time, the Budget invests in improved quality: supporting a \$350 million competition among States to improve program quality through the Early Learning Challenge Fund; proposing a Child Care Development Block Grant reauthorization that focuses on improving quality, protecting health and safety, and strengthening early learning; and supporting proposed regulations to strengthen Head Start by requiring low-performing programs to compete for funding.

**Reforms Foster Care to give Children Greater Safety and Permanency.** The Administration proposes improvements in the foster care system to prevent child abuse and neglect and keep more children safely in their homes and out of long-term foster care. The proposal fixes broken financing rules that too often fail children by providing new incentives for States to improve child outcomes, streamlining administrative procedures, and testing innovative approaches to improving outcomes. At the same time, the proposal maintains legal protections for children and preserves a funding entitlement for States.

**Supports Responsible Fatherhood.** The Budget encourages fathers to take responsibility for their children by changing policies so that more of fathers' child support reaches their children while continuing a commitment to vigorous enforcement. The Budget increases support for States to pass through child support payments to families, rather than retaining those payments, and encourages States to provide access and visitation services that can improve a father's relationship with his family. The Budget targets additional State incentives based on performance, which continues an emphasis on program outcomes and efficiency.

**Supports Seniors.** The Budget includes \$96 million for the Administration's Caregiver

Initiative, an effort to expand help to families and seniors so that caregivers can better manage their multiple responsibilities and seniors can live in the community for as long as possible. Without creating new programs, this initiative provides new resources to support the network of agencies in local communities across the country that already provide critical help to seniors and caregivers. The Budget also transfers the Senior Community Services Employment Program from the Department of Labor to HHS' Administration on Aging where the program can operate successfully with fewer resources through improved coordination with other efforts to promote seniors' health, wellness, and independence.

**Brings Cost of LIHEAP Down to Previous Levels.** During this period of tough budget choices, the President's Budget provides \$2.57 billion for the Low Income Home Energy Assistance Program (LIHEAP) to help struggling families make ends meet by offsetting some of their home heating and cooling costs. The Budget does not repropose the creation of a LIHEAP funding trigger included in previous budget requests, but the Administration is continually monitoring energy prices, and if they should spike again, we would explore what level of LIHEAP funding would be necessary. The LIHEAP program doubled in 2009 following an energy spike, but energy prices are now significantly lower, and the prior level is no longer sustainable. The 50 percent funding reduction brings funding back to the level before the energy price spike.

**Cuts and Reforms the Community Services Block Grant.** The Budget cuts funding for the Community Services Block Grant (CSBG) by 50 percent. CSBG provides funding for the important work of Community Action Agencies, but does not hold these agencies accountable for outcomes. The Budget provides \$350 million to fund the highest performing Community Action Agencies so that scarce taxpayer dollars are targeted to high-performing agencies that are most successful in meeting important community needs.

**Department of Health and Human Services**  
(In millions of dollars)

	Actual 2010	Estimate	
		2011	2012
<b>Spending</b>			
Discretionary Budget Authority:			
Food and Drug Administration <sup>1</sup> .....	2,597		2,744
<i>Program Level (non-add)</i> .....	3,284		4,360
Health Resources and Services Administration.....	7,506		6,821
Indian Health Service.....	4,053		4,624
Centers for Disease Control and Prevention.....	6,467		5,893
National Institutes of Health .....	30,784		31,829
Substance Abuse and Mental Health Services Administration .....	3,431		3,387
Agency for Healthcare Research and Quality .....	—		—
<i>Program Level (non-add)</i> .....	397		366
Centers for Medicare and Medicaid Services (CMS) <sup>2,3</sup> .....	3,734		4,397
Discretionary Health Care Fraud and Abuse Control.....	311		581
Administration for Children and Families.....	17,334		16,180
Administration on Aging.....	1,513		2,237
General Departmental Management .....	498		364
<i>Program Level (non-add)</i> .....	600		650
Office of Civil Rights.....	41		47
Office of the National Coordinator for Health Information Technology .....	42		57
<i>Program Level (non-add)</i> .....	61		78
Office of Medicare Hearing and Appeals .....	71		81
Public Health and Social Services Emergency Fund.....	1,345		595
Office of Inspector General .....	50		53
All other.....	48		51
Subtotal, Discretionary budget authority.....	79,826	81,334	79,941
Unallocated BioShield balances transferred from Department of Homeland Security <sup>4</sup> .....	2,424	—	—
Total, Discretionary budget authority.....	82,250	81,334	79,941
<i>Memorandum:</i>			
Budget authority from supplementals .....	215	—	—
Total, Discretionary outlays <sup>3</sup> .....	89,255	91,417	88,619
Mandatory Outlays:			
Medicare			
Existing law <sup>5</sup> .....	446,616	489,319	468,522
Legislative proposal .....	—	—	17,282
Medicaid and Children's Health Insurance Program (CHIP)			
Existing law .....	280,658	285,418	279,346
Legislative proposal .....	—	—	-297

**Department of Health and Human Services—Continued**  
(In millions of dollars)

	Actual 2010	Estimate	
		2011	2012
All other <sup>6</sup>			
Existing law .....	37,645	43,636	38,130
Legislative proposal .....	—	22	1,209
Total, Mandatory outlays <sup>2</sup> .....	764,919	818,395	804,192
 Total, Outlays .....	 854,174	 909,812	 892,811
<b>Credit Activity</b>			
Direct Loan Disbursements:			
Consumer Operated and Oriented Plan Financing .....	—	—	593
Total, Direct loan disbursements .....	—	—	593
Guaranteed Loan Disbursements:			
Health Center Guaranteed Loan Finance .....	—	17	17
Total, Guaranteed loan commitments .....	—	17	17

<sup>1</sup> FDA budget authority reported to Treasury for 2010 is \$235 million higher than actual available budget authority due to the timing of FDA user fee collections.

<sup>2</sup> The CMS budget authority and outlay total for 2010 includes approximately \$320 million that is misclassified as discretionary rather than mandatory.

<sup>3</sup> Amounts appropriated to the Social Security Administration (SSA) from the Hospital Insurance and Supplementary Medical Insurance accounts are included in the corresponding table in the SSA chapter.

<sup>4</sup> In 2010, \$3,033 million from the Bioshield Special Reserve Fund (SRF) was transferred from the Department of Homeland Security to the Department of Health and Human Services. Of this amount, \$609 million was redirected to support Advanced Development and NIH, and \$2,424 million remains as balances in the SRF. In 2011, \$476 million from the SRF will be used to support the Biomedical Advanced Research and Development Authority.

<sup>5</sup> Includes \$149 million in 2010, \$902 million in 2011, and \$480 million in 2012 of CMS Program Management mandatory funding. SSA funding from the Medicare Improvements for Patients and Providers Act is included in the corresponding table of the SSA chapter.

<sup>6</sup> Funding for the Centers for Medicare and Medicaid Innovation is included with all other mandatory outlays.



## DEPARTMENT OF HEALTH AND HUMAN SERVICES

### Funding Highlights:

- Provides \$76.4 billion, or \$0.3 billion above the 2012 funding level. The Budget maintains investments in Administration priorities such as Affordable Care Act implementation and Head Start. Savings are achieved through difficult trade-offs, such as the consolidation of environmental health and substance abuse prevention grant programs.
- Supports innovative medical research by maintaining funding for the National Institutes of Health at \$31 billion while implementing new grant management policies to increase the number of new research grants awarded and continue to focus resources for first-time grantees.
- Consolidates funding for disease-specific chronic diseases with common risk factors into a comprehensive program to improve public health outcomes for the leading chronic disease causes of death and disability and enhance efficiency.
- Eliminates the Preventive Health and Health Service Block Grant because the activities it supports can be more effectively implemented through the Consolidated Chronic Disease Program and Prevention and Public Health Fund investments.
- Supports implementation of the Affordable Care Act's health insurance coverage improvements in 2014 by helping States establish Affordable Insurance Exchanges and developing the infrastructure to provide cost sharing and premium 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 \$364 billion over the next decade.
- Accelerates research on the discovery and development of new therapeutic interventions through the National Center for Advancing Translational Sciences.
- Improves access to health care services for American Indians and Alaska Natives.

- Invests approximately \$3.3 billion for discretionary HIV/AIDS prevention and treatment activities across the Department to expand access to affordable health care, prevention, and treatment services and align activities with the National HIV/AIDS Strategy.
- Bolsters food and medical product safety activities by increasing the Food and Drug Administration's total resources by \$654 million above the 2012 level and supports a new effort to improve food and drug import safety.
- Strengthens national preparedness for all threats to public health, including naturally occurring threats and deliberate attacks, through funding the advanced development of next generation medical countermeasures against chemical, biological, radiological, nuclear threats, and pandemic influenza.
- Invests in high-quality early childhood programs, with increased funding in Child Care and Head Start to improve outcomes for America's children and prepare them for the future. To make sure that every Head Start dollar is used to provide high quality services, the Budget also supports the implementation of new regulations to strengthen Head Start by requiring low-performing grantees to compete for continued funding.
- Supports the President's fatherhood agenda by modernizing the child support program to promote stronger family relationships and increase the payment of child support.
- Adjusts the Low Income Home Energy Assistance Program to reflect rising winter costs, particularly in areas of the country that rely on heating oil.
- Reforms foster care to improve outcomes for children including promoting their social and emotional well-being.

The Department of Health and Human Services (HHS) is the principal Federal agency charged with protecting the health of all Americans and providing essential human services. The President's Budget includes \$76.4 billion to support HHS's mission. Within this level, the Department is carrying out significant responsibilities such as implementing the Affordable Care Act and strengthening program integrity across major entitlement programs. The Budget also invests in Head Start and health care services for American Indians and Alaska Natives. These increases are offset by tough cuts to worthy programs like the Community Services Block Grant as well as through new grants management policies at the National Institutes of Health (NIH) and the consolidation of various public health funding streams.

### ***Improves Health Care Access and Quality of Service***

**Implements the Affordable Care Act.** The Affordable Care Act (ACA) will ensure that every American can access high-quality, affordable coverage, providing health insurance to 34 million Americans who would otherwise be uninsured. The ACA does this by establishing State-based Affordable Insurance Exchanges, competitive marketplaces that will provide millions of Americans and small businesses with "one-stop shopping" for affordable coverage beginning in 2014. It also provides premium assistance to make coverage affordable for low-income Americans. Efficiently and effectively implementing these coverage expansions is one of the Administration's highest priorities. The Budget provides resources in support of these efforts, such as building capacity and

creating infrastructure to establish exchanges, including the Federally-facilitated Exchange, and develops systems to help individuals enroll in the right health insurance coverage option.

**Accelerates the Issuance of State Innovation Waivers.** This proposal empowers States to develop their own innovation strategies to ensure their residents have access to high quality, affordable health insurance, achieving the same outcomes as the ACA. Similar to legislation previously introduced in the Senate and endorsed by the President, it would make “State Innovation Waivers” available starting in 2014, three years earlier than under current law. These State strategies would need to provide affordable insurance coverage to at least as many residents as those without the waiver and must not increase the federal deficit. The Administration is committed to the budget neutrality of these waivers.

**Strengthens the Health Workforce.** Strengthening the primary care workforce is critical to reforming America’s health care system. Increasing access to primary care health providers can help prevent disease and illness, ensure all Americans have access to high-quality care, and reduce costs by decreasing the need for more invasive treatment that could have been prevented through early care. To increase access, the Administration provides increased resources for primary care training programs and support for health care providers who choose to train and practice in medically underserved areas. In total, the Budget initiates investments that will help train more than 2,800 additional primary care providers estimated to enter the workforce over the next five years.

**Continues Funding for Health Centers.** Health centers are a key component of the Nation’s health care safety net. These clinics offer comprehensive, high quality, primary and preventive health care services to all Americans regardless of their ability to pay. Health centers will continue to be a critical element of the health system as the United States expands insurance coverage through the ACA, largely because they can provide an accessible and dependable source

of primary care services in underserved communities. The ACA provides the Health Center Program with \$7.3 billion over the 2013–2015 period. These resources complement the funding that the program receives annually through the discretionary appropriations process. To ensure that health centers continue to provide critical access and services to millions of Americans in 2013 and for many years to come, the Budget promotes a policy of steady and sustainable health center growth by distributing ACA resources over the long term, including in years after 2015. This policy safeguards resources for existing health centers to continue services and avoids the funding shortfall that would otherwise occur when the ACA funding ends in 2015. In addition, the Budget provides sufficient funding to open new health centers in areas in the country where they do not currently exist, through 2015 and beyond. In total, the Budget invests \$3.1 billion for health center services in 2013 to support the creation of more than 25 new health center sites across the country. In 2013, health centers are estimated to serve nearly 21 million patients.

**Maintains Continuity of Coverage for Low-income Individuals.** The Budget continues to fund transitional medical assistance, which provides continued Medicaid eligibility for low-income adults transitioning to work. It also maintains funding for the qualified individuals program, which pays Medicare Part B premiums for qualified low-income seniors.

**Supports Biomedical Research at 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 country. 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, advancing translational sciences, and encouraging new investigators and new ideas. In 2013, NIH will implement new grants management policies to increase the number of new research grants

awarded and continue to focus on resources for new investigators.

**Improves Access to Health Care for American Indians and Alaska Natives (AI/ANS).** The Budget includes \$5.5 billion for the Indian Health Service (IHS) to strengthen Federal, tribal, and urban programs that serve two million AI/ANS at over 650 facilities in 35 States. The Budget provides increased resources for contract Health Services to purchase health care services provided outside of the Indian health system when services are not available at IHS-funded facilities. In addition, the Budget funds construction of new hospitals and health clinics and staff and operating costs at new facilities to increase access to health care services and improve the Indian health system.

**Expands Access to HIV/AIDS Treatment, Care, and Prevention.** The Budget expands access to HIV/AIDS prevention and treatment activities and supports the goals of the national HIV/AIDS Strategy to reduce HIV incidence; increases access to care and optimizing health outcomes for people living with HIV; and reduces HIV-related health disparities. The Budget includes \$2.4 billion, an increase of \$75 million, for the Health Resources and Services Administration's Ryan White program to expand access to care for persons living with HIV/AIDS who are otherwise unable to afford health care and related support services. The Budget also includes \$1 billion for the AIDS Drug Assistance Program (ADAP), an increase of \$67 million, to expand access to lifesaving HIV-related medications for uninsured and underinsured individuals living with HIV/AIDS and help distressed State ADAP programs eliminate waiting lists. The Budget includes an increase of \$30 million for Centers for Disease Control and Prevention (CDC) HIV/AIDS prevention activities. The Budget also allows CDC and States to transfer up to 10 percent of total funding across HIV/AIDS, tuberculosis, sexually transmitted diseases, and hepatitis programs to improve coordination and integration.

**Strengthens the Safety of U.S. Food and Medicines.** The Budget includes \$2.5 billion in

budget authority and \$4.5 billion in total program resources for the Food and Drug Administration (FDA). This includes \$10 million in new resources to improve food safety and medical product imports to the United States through a greater FDA presence in foreign countries such as China. The Budget also includes new user fee programs to support implementation of key elements of the Food Safety Modernization Act, and to bring more safe, effective, and affordable generic drugs and generic biologics, also known as biosimilars, to the American public. To better protect public health in response to natural or intentional threats, the Administration also invests in FDA's efforts to advance regulatory science and support the review of new medical countermeasures for chemical, radiological, biomedical, and nuclear threats.

**Strengthens National Preparedness for All Hazards, Including Naturally Occurring Threats and Intentional Attacks.** The Budget includes \$547 million to enhance the advanced development of next generation medical countermeasures against chemical, biological, radiological and nuclear threats. In addition, the Budget includes \$50 million to establish the Strategic Investor, an independent venture capital entity in the Office of the Assistant Secretary for Preparedness and Response, and continues funding for the NIH Concept Acceleration Program to assist investigators with developing promising new countermeasures, and the FDA's Medical Countermeasures Regulatory Science Initiatives. The Department has invested \$6.9 billion since 2005 to enhance America's ability to rapidly respond to an influenza pandemic. In 2013, HHS plans to use remaining pandemic influenza resources to support the new U.S.-based advanced development and manufacturing facilities for vaccines and other biologics.

**Targets Funding for Mental Health and Substance Abuse Prevention Efforts.** Within the Substance Abuse and Mental Health Services Administration (SAMHSA), the Budget requests \$460 million for prevention services targeting early risk factors that can improve behavioral health outcomes for children and young adults.

The Budget proposes to merge SAMHSA prevention programs to enhance efficiency and improve efforts to prevent substance abuse and mental health disorders. The Budget also includes \$140 million for behavioral health supportive services for homeless individuals and for families with mental and substance abuse disorders, to help them transition into permanent supportive housing.

### ***Makes Tough Choices While Continuing to Serve Vulnerable Populations***

**Cuts and Reforms the Community Services Block Grant (CSBG).** CSBG provides funding for the important work of community action agencies, but the program's current structure does too little to hold these agencies accountable for outcomes. The Budget provides \$350 million and proposes to use competition to target the funds to high-performing agencies that are most successful in meeting important community needs.

**Continues Strong Support for High-Quality Early Childhood Programs.** Research has shown that effective early childhood programs help children succeed in school and beyond. Increasing Federal investments in high quality early education is a key part of a broader education agenda that will strengthen the Nation's competitiveness and help every child reach his or her potential. The Budget includes over \$8 billion for Head Start and Early Head Start to serve approximately 962,000 children and families, maintaining the historic expansion undertaken in 2009–2010. The Budget supports the implementation of new regulations to strengthen Head Start by requiring low-performing grantees to compete for continued funding for the first time in the program's history. The Budget also includes an additional \$7 billion over the next 10 years to support low-income children with child care subsidies. Finally, the Budget supports critical reforms to the Child Care Development Block Grant and provides an additional \$300 million for States to improve child care quality, and ultimately help children succeed in school.

**Supports Responsible Fatherhood.** The Budget modernizes the child support program, which touches the lives of more than half of poor children as well as many middle-class families. These policy changes, which will encourage fathers to take responsibility for their children include: increasing financial support for States that pass through child support payments to families rather than retaining them; ending the Federal expectation of reimbursement for payments that are distributed to families receiving assistance through the Temporary Assistance for Needy Families program; and encouraging States to provide access and visitation services that can improve a father's relationship with his family.

**Adjusts LIHEAP for Rising Winter Fuel Costs.** The President's Budget provides \$3 billion for the Low Income Home Energy Assistance Program (LIHEAP) to help struggling families make ends meet by offsetting some of their home heating and cooling costs. While the costs of fuels used by most LIHEAP households remain low, the price of heating oil has been on the rise. In response, the Budget provides an additional \$450 million over the 2012 request, and targets funds to States with vulnerable households facing high home heating costs for winter 2012–2013.

**Reforms Foster Care to Improve Outcomes for Abused and Neglected Children.** The Administration proposes \$2.5 billion over 10 years in new mandatory funding for incentive payments to States that demonstrate real, meaningful improvements on measures of child outcomes, including child abuse and neglect, and service quality. These incentives would help States finance innovative services and encourage continuous improvement in the foster care system.

### ***Improves the Way Federal Dollars are Spent and Strengthens Long-Term Viability of Current Programs***

**Reduces Waste, Fraud, and Abuse in Medicare, Medicaid, and the Children's Health Insurance Program (CHIP).** Significant progress has been made in achieving the President's

goal of reducing the Medicare fee-for-service improper payment rate in half by 2012 and in implementing the ACA's anti-fraud provisions. The Budget builds on this progress through a robust set of proposals to strengthen Medicare, Medicaid, and CHIP program integrity. The Budget invests \$610 million in discretionary program integrity funding to implement activities that reduce payment error rates, prevent fraud and abuse, target high risk services and supplies, and enhance civil and criminal enforcement for Medicare, Medicaid, and CHIP. For example, the Budget proposes to authorize civil monetary penalties or other intermediate sanctions for providers who do not update enrollment records and permits exclusion of individuals affiliated with entities sanctioned for fraudulent or other prohibited actions from Federal health care programs. The Budget also affirms Medicaid's position as a payer of last resort when another entity is legally liable to pay claims for beneficiaries. These new resources and 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 nearly 10 years. Under the SGR, physician payment rates would be reduced by nearly 28 percent later this year. The Administration is committed to working with the Congress to fix the SGR, providing predictable Medicare physician payments that incentivize quality and efficiency in a fiscally responsible way. Failing to do so masks the long-run deficit.

**Improves Medicare's and Medicaid's Sustainability by Encouraging High-Quality, Efficient Care.** The Budget contains several proposals that build on initiatives included in the ACA to help extend Medicare's solvency while encouraging provider efficiencies and improved patient care. Specifically, the Budget modifies

payments to certain providers, to address payments that exceed patient care costs. It also reduces Medicare's payments to providers for beneficiaries' non-payment of their deductibles and copayments. The Budget also aligns Medicare drug payment policies with Medicaid policies for low-income beneficiaries. These, along with other Medicare proposals, would extend the solvency of the Hospital Insurance trust fund for an estimated two 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, it strengthens the Independent Payment Advisory Board to reduce long-term drivers of Medicare cost growth.

**Establishes a More Flexible and Accountable Medicaid Program.** Medicaid is critically important to providing health care to the poorest in our country, including children, seniors, and individuals with disabilities. The Administration opposes efforts to turn it into a block grant and slash its funding. Instead, the Budget seeks to make Medicaid more efficient by streamlining financing and reimbursement policies. Specifically, the Budget proposes to reduce the Medicaid provider tax threshold beginning in 2015 to promote integrity of Federal-State financing. The

Administration also proposes a single blended matching rate for Medicaid and CHIP spending to replace the current complicated patchwork of matching formulas starting in 2017. In addition, the Budget would implement more efficient reimbursement rates for durable medical equipment based on Medicare rates. Finally, the Budget better aligns Medicaid supplemental hospital payments by rebasing Disproportionate Share Hospital allotments in 2021. These Medicaid proposals are projected to save approximately \$51 billion over 10 years.

**Prioritizes Effective Prevention and Public Health Programs.** The Budget promotes wellness and focuses on reducing the national burden of chronic disease by allocating \$1.25 billion from the Prevention and Public Health Fund (Fund) for activities to help improve health outcomes and reduce health care costs, such as immunizations, and activities to reduce health-care associated infections. The Fund was authorized and funded by the ACA. The Budget also proposes a new lab consolidation program to region-

alize our public health lab system and produce long-term cost savings by improving efficiencies across labs. The Budget includes \$39 million for CDC activities to reduce health care associated infections (HAIS) and expand reporting of HAIS in hospitals and nursing homes. The Budget also includes a Comprehensive Chronic Disease Prevention Program that combines select chronic disease programs into one main program. This will provide States with additional flexibility to address the leading causes of chronic disease and disability, while increasing accountability and improving health outcomes through performance incentives. CDC's Consolidated Chronic Disease Program along with investments from the Prevention Public Health Fund, will also support some of the activities previously funded through the Preventive Health and Health Services Block Grant. The Budget includes an increase of \$15 million to eradicate polio within India and reduce transmission of the wild polio virus in Pakistan, Afghanistan and Nigeria by the end of 2013.

**Department of Health and Human Services**  
(In millions of dollars)

	Actual 2011	Estimate	
		2012	2013
<b>Spending</b>			
Discretionary Budget Authority:			
Food and Drug Administration <sup>1</sup> .....	2,403	2,506	2,517
<i>Program Level (non-add)</i> .....	3,636	3,832	4,486
Health Resources and Services Administration.....	6,284	6,228	6,088
Indian Health Service.....	4,069	4,307	4,422
Centers for Disease Control and Prevention.....	5,726	5,732	5,068
National Institutes of Health.....	30,470	30,702	30,702
Substance Abuse and Mental Health Services Administration.....	3,380	3,347	3,152
<i>Agency for Healthcare Research and Quality</i>			
<i>Program Level (non-add)</i> .....	392	405	409
Centers for Medicare and Medicaid Services (CMS) <sup>2</sup> .....	3,537	3,828	4,821
Discretionary Health Care Fraud and Abuse Control.....	310	311	311

**Department of Health and Human Services—Continued**  
(In millions of dollars)

	Actual 2011	Estimate	
		2012	2013
Administration on Children and Families (ACF) <sup>3</sup> .....	17,210	16,489	16,194
Administration on Aging .....	1,497	1,471	1,978
General Departmental Management .....	655	474	306
Office of Civil Rights.....	41	41	39
Office of the National Coordinator for Health Information Technology .....	42	16	26
<i>Program Level (non-add)</i> .....	61	61	66
Office of Medicare Hearing and Appeals .....	70	72	84
Public Health and Social Services Emergency Fund.....	675	568	642
Office of Inspector General .....	50	50	59
All other .....	51	43	37
Subtotal, Discretionary budget authority <sup>4</sup> .....	76,472	76,186	76,446
Discretionary Changes in Mandatory Programs ( <i>non-add in 2012</i> ): <sup>5</sup>			
Children's Health Insurance Program Reauthorization Act of 2009— Performance Bonuses .....		-6,368	-6,706
Consumer Operated and Oriented Plan (CO-OP) Program .....		-400	—
High Risk Pool .....		44	—
ACF .....		—	-13
Subtotal, Discretionary changes in mandatory programs .....		-6,724	-6,719
Total, Discretionary budget authority .....	76,472	76,186	69,727
Discretionary Cap Adjustment: <sup>6</sup>			
Program Integrity .....	—	270	299
Rescission of Balances of Funds Provided by P.L. 111-32 .....	-1,259	—	—
Total, Discretionary outlays <sup>2</sup> .....	86,528	84,160	80,605
Mandatory Outlays:			
Medicare			
Baseline Outlays <sup>7</sup> .....	480,202	479,338	528,556
Legislative proposal .....		215	-4,807
Medicaid and Children's Health Insurance Program (CHIP)			
Existing law .....	283,597	265,011	292,856
Legislative proposal .....		155	190
All other <sup>8</sup> .....			
Existing law .....	41,007	43,057	42,901
Legislative proposal .....		1	639
Total, Mandatory outlays .....	804,806	787,777	860,335

**Department of Health and Human Services—Continued**  
(In millions of dollars)

	Actual 2011	Estimate	
		2012	2013
Total, Outlays .....	891,334	871,937	940,940
<b>Credit activity</b>			
Direct Loan Disbursements:			
CO-OP Financing.....	—	225	1,844
Total, Direct loan disbursements .....		225	1,844
Guaranteed Loan Disbursements by Private Lenders:			
Health Center Guaranteed Loan Finance .....	25	13	10
Total, Guaranteed loan disbursements by private lenders .....	25	13	10

<sup>1</sup> FDA budget authority reported to Treasury for 2011 is \$54 million lower than actual available budget authority due to the timing of FDA user fee collections.

<sup>2</sup> The CMS budget authority and outlay total for 2011 includes approximately \$129 million that is misclassified as discretionary rather than mandatory.

<sup>3</sup> ACF's BA as displayed here in 2013 is \$13 million higher than the actual BA, reflecting the repurposing of \$13 million in Abstinence Education Funds, displayed here as a discretionary change in a mandatory program (CHIMP).

<sup>4</sup> Amounts, approximately \$2 billion each year, appropriated to the Social Security Administration (SSA) from the Hospital Insurance and Supplementary Medical Insurance accounts are included in the corresponding table in the SSA chapter.

<sup>5</sup> The 2012 amounts reflect OMB's scoring of the 2012 Appropriations acts (P.L. 112-55 and 112-74) as transmitted to the Congress. These amounts are displayed as non-add entries because they have been rebased as mandatory and are not included in any 2012 discretionary levels in the 2013 Budget.

<sup>6</sup> The Balanced Budget and Emergency Deficit Control Act of 1985 (BBEDCA), as amended by the Budget Control Act of 2011, limits—or caps—budget authority available for discretionary programs each year through 2021. Section 251(b)(2) of BBEDCA authorizes certain adjustments to the caps after the enactment of appropriations. Amounts in 2011 are not so designated but are shown for comparability purposes.

<sup>7</sup> Includes \$280 million in 2011, \$1,501 million in 2011, and \$368 million in 2012 of CMS Program Management mandatory funding. SSA funding from the Medicare Improvements for Patients and Providers Act is included in the corresponding table of the SSA chapter.

<sup>8</sup> Funding for the Centers for Medicare and Medicaid Innovation is included with all other mandatory outlays.



## 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.

- Invests over \$3.2 billion, an increase of \$30 million above the 2012 enacted level, in discretionary HIV/AIDS prevention and treatment activities across the Centers for Disease Control and Prevention and Health Resources and Services Administration to expand access to affordable health care, prevention, and treatment services and continue to align activities with the National HIV/AIDS Strategy.
- Bolsters food and medical product safety activities by increasing the Food and Drug Administration's total funding by \$821 million above the 2012 enacted level and supporting an effort to improve food and drug import safety.
- Strengthens national preparedness for threats to public health, including naturally occurring threats and deliberate attacks, through funding the development and acquisition of next generation medical countermeasures against chemical, biological, radiological, and nuclear threats, and pandemic influenza.
- Eliminates the Preventive Health and Health Service Block Grant because some of these activities can be more effectively implemented through targeted programs within the Centers for Disease Control and Prevention.
- Reinforces our Nation's ability to more quickly detect infectious disease outbreaks through a new Advanced Molecular Detection Initiative and maintains strong epidemiologic and laboratory expertise at the Centers for Disease Control and Prevention.
- Improves access to reproductive and primary health care services for nearly five million low-income individuals through a \$327 million investment in family planning.
- Strengthens families by removing financial deterrents to marriage for low-income couples and by modernizing the child support enforcement program to encourage fathers working and engaging with their children.
- Assists vulnerable populations by investing in efforts to reconnect children with family members and supporting the prevention of human trafficking and direct services for domestic victims.
- Targets Low Income Home Energy Assistance Program assistance on the Nation's most vulnerable households with high energy burdens.

The Department of Health and Human Services (HHS) is the principal Federal agency charged with protecting the health of all Americans and providing essential human services. The 2014 Budget includes \$80.1 billion to support HHS's mission, \$3.9 billion above the 2012 enacted level. Within this level, the Department is carrying out significant responsibilities such as implementing the Affordable Care Act and strengthening

program integrity across programs. The Budget also invests in early childhood development, biomedical research, mental health services, and health care for American Indians and Alaska Natives. These increases are offset by tough cuts to programs like the Community Services Block Grant and the Preventive Health and Health Services Block Grant.

### ***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

Reporting System to expand the surveillance system to all States in 2014 to improve our understanding of violence. The Budget also includes \$10 million within the Centers for Disease Control and Prevention (CDC) to support research on the causes and prevention of gun violence.

**Strengthens the Health Workforce.** Strengthening the primary care workforce is critical to reforming America's health care system. Increasing access to primary care health providers can help prevent disease and illness, ensure all Americans have access to high-quality care, and reduce costs by decreasing the need for more invasive treatment that could have been prevented through early care. To increase access, the Budget provides increased resources for primary care training programs and support for health care providers who choose to train and practice in medically-underserved areas. The Budget includes funding that will support over 8,800 health care professionals practicing in underserved areas. In addition, the Budget initiates investments that will help train more than 2,800 additional primary care providers estimated to enter the workforce over the next five years.

**Continues Funding for Health Centers.** Health centers are a key component of the Nation's health care safety net. To ensure Americans receive comprehensive, high-quality, primary and preventive health care services regardless of their ability to pay, the Budget invests \$3.8 billion for health center services in 2014 to support services to an estimated 22 million patients. The Affordable Care Act provides the Health Center program with a total of \$9.5 billion through 2015. Health centers will continue to be a critical element of the health system, largely because they can provide an accessible and dependable source of primary care services in underserved communities.

**Strengthens Primary Care and Reproductive Health Services for Women.** The Budget includes \$327 million for the Title X Family Planning program, an increase of \$33 million above the 2012 enacted level, to expand access to primary care and reproductive health

services for low-income women in historically underserved communities.

**Maintains Continuity of Coverage for Low-Income Individuals.** The Budget continues to fund Transitional Medical Assistance, which provides continued Medicaid eligibility for low-income adults transitioning to work. States that adopt the Affordable Care Act Medicaid expansion will be able to opt out of Transitional Medical Assistance. It also maintains funding for the Qualified Individuals program, which pays Medicare Part B premiums for qualified low-income seniors.

**Improves Access to Health Care for American Indians and Alaska Natives (AI/ANs).** The Budget includes \$4.4 billion for the Indian Health Service (IHS) to strengthen Federal, tribal, and urban programs that serve over two million AI/ANs at over 650 facilities in 35 States. The Budget provides increased resources to purchase health care services provided outside of the Indian health system when services are not available at IHS-funded facilities. In addition, the Budget funds construction of new and replacement hospitals and health clinics, and staff and operating costs at new and replacement facilities, to increase access to health care services and improve the Indian health system. The Administration has prioritized funding for health care for AI/ANs by proposing increases to the IHS budget of over \$800 million in the last four years, which has led to expanded medical services in Indian Country. These budget increases have enabled Tribes to expand self-determination contracts and compacts and have funded associated administrative costs, known as Contract Support Costs (CSC), which Tribes receive from both IHS and the Bureau of Indian Affairs (BIA).

Funding for CSC is an important part of self-determination, but it must be balanced with funding for health care services. In 2012, the Supreme Court ruled in *Salazar v. Ramah Navajo Chapter* that past appropriations language was not sufficiently constructed to execute the longstanding policy of managing CSC costs. The Court identified five legislative remedies, ranging from

changing payments for CSC through amendments to underlying self-determination authorities, to enacting line-item appropriations for each contract, to appropriating the full estimates for CSC. Consistent with the Supreme Court ruling, the Budget proposes a new approach for CSC, along with a funding increase, for IHS and BIA to continue the policy of supporting self-determination while protecting funding for health care services for AI/ANs. The Administration looks forward to working with the Tribes and the Congress to develop a balanced, long-term solution.

**Expands Access to HIV/AIDS Treatment, Care, and Prevention.** The Budget expands access to HIV/AIDS prevention and treatment activities and supports the goals of the National HIV/AIDS Strategy to reduce HIV incidence, increase access to care and optimizing health outcomes for people living with HIV, and reduce HIV-related health disparities. By providing resources for the Affordable Care Act implementation, the Budget will support increased health care coverage for thousands of people living with HIV/AIDS. The Budget increases funding for the Ryan White HIV/AIDS program by \$20 million, including an additional \$10 million for the AIDS Drug Assistance Program to ensure that individuals living with HIV can access their medications, and an additional \$10 million for HIV medical clinics to expand access to care and improve systems for connecting individuals to care and retain them in care over time. The Budget includes an increase of \$10 million for CDC HIV/AIDS prevention activities to expand surveillance activities and improve timeliness of data. The Budget also redirects \$40 million from less effective activities to support a new \$40 million initiative to improve systems that link persons recently diagnosed with HIV to care.

**Strengthens the Safety of U.S. Food and Medicines.** The Budget includes \$2.6 billion in budget authority and \$4.7 billion in total program resources for the Food and Drug Administration (FDA). It includes \$10 million in new resources to improve the safety of food and medical product imports to the United States through a greater FDA presence in foreign countries such as China.

The Budget includes new user fee programs to support implementation of key elements of the Food Safety Modernization Act. To better protect public health in response to natural or intentional threats, the Budget also invests in FDA's efforts to advance regulatory science and support the review of new medical countermeasures for chemical, radiological, biomedical, and nuclear threats.

**Strengthens National Preparedness for All Hazards, Including Naturally Occurring Threats and Intentional Attacks.** The Budget includes \$415 million to enhance the advanced development of next generation medical counter-measures against chemical, biological, radiological, and nuclear threats, including resources to establish the Strategic Investor, an independent venture capital entity in the Office of the Assistant Secretary for Preparedness and Response. The Budget continues funding for both the NIH Concept Acceleration Program to assist investigators with developing promising new countermeasures, and the FDA's Medical Countermeasures Regulatory Science Initiatives. The Budget also provides \$250 million to replenish the BioShield Special Reserve Fund, to provide resources through annual appropriations, renewing the Government's long-term commitment to the acquisition of new medical countermeasures against chemical, biological, nuclear and radiological threats. To further support this long-term commitment, the Budget provides a new, flexible contracting authority. HHS has invested over \$10 billion since 2005 to enhance America's ability to rapidly respond to an influenza pandemic. The Budget provides an additional \$140 million to continue support for these high-priority activities, including the licensure of influenza vaccines that provide the same protection with a smaller dose, and to support international vaccine production capacity.

**Bolsters Effective Prevention and Public Health Programs.** The Budget invests \$40 million for a new Advanced Molecular Detection initiative (AMD) to allow CDC to more quickly determine where emerging diseases come from, whether microbes are resistant to antibiotics, and

how microbes are moving through a population. The AMD initiative will strengthen CDC's epidemiologic and laboratory expertise to effectively guide public health action. The Budget strengthens core public health programs at CDC through an increase of \$12 million to reduce health care associated infections in more than 1,800 additional facilities and an increase of \$16 million to implement the Food Safety Modernization Act, integrate and enhance national food safety surveillance systems, and improve the ability to attribute illnesses to specific foods. The Budget focuses on detection and elimination of infectious diseases globally through an increase of \$15 million to end wild polio virus transmission by the end of 2014. The Budget also allocates the Prevention and Public Health Fund to improve health outcomes through effective public health prevention programs across the United States.

**Invests in Behavioral Health Prevention and Treatment.** The Budget includes \$3.6 billion for the Substance Abuse and Mental Health Services Administration to support the Nation's behavioral health prevention and treatment infrastructure. The Budget maintains the Community Mental Health Services Block Grant and increases the Substance Abuse Prevention and Treatment Block Grant to support States in an effective transition in the first year of the Affordable Care Act that will include expanded coverage for mental health and substance abuse treatment services. The Budget also proposes funding within the Block Grants to encourage States to build provider capacity to bill public and private insurance and to promote the adoption of evidence-based programs.

**Invests in Electronic Health Records.** The number of health care providers adopting electronic health records (EHRs) is growing rapidly. According to the CDC's National Center for Health Statistics, the percentage of office-based physicians that use an EHR increased from 48 percent in 2009 to 72 percent in 2012. With EHR adoption rising, it is increasingly important that health information technology (IT) investments aim to advance EHR standards, program integrity, and technology to support interoperable

exchange of health data. Furthermore, exchange of health data with appropriate privacy protections, will support new payment and delivery models designed to create value based on quality instead of volume. The Budget provides \$26 million for the Office of the National Coordinator for Health IT to support work to advance EHR technology and standards.

**Accelerates the Issuance of State Innovation Waivers.** The Budget empowers States to develop their own innovation strategies to ensure their residents have access to high-quality, affordable health insurance, achieving the same outcomes as those achieved through the Affordable Care Act. Similar to legislation previously introduced in the Senate and endorsed by the President, the Budget proposes to make "State Innovation Waivers" available starting in 2014, three years earlier than under current law. These State strategies would provide affordable insurance coverage to at least as many residents as would have been covered without the waiver and must not increase the Federal deficit. The Administration is committed to the budget neutrality of these waivers.

### ***Improves Conditions for Vulnerable Populations***

**Invests in High-Quality Infant and Toddler Care.** Research has shown that effective early childhood programs help children succeed in school and beyond. Increasing Federal investments in high-quality early education is a key part of a broader education agenda that will strengthen the Nation's competitiveness and help every child reach his or her potential. The Budget invests \$1.4 billion in new Early Head Start-Child Care Partnerships to support States and communities in expanding the availability of high-quality learning opportunities for our youngest children. The Budget also provides an additional \$200 million for States to support high-quality child care in 2014 and \$7 billion over the next 10 years to maintain the availability of child care subsidies. In addition, the Budget invests \$15 billion over the next 10 years to extend

and expand evidence-based, voluntary home visiting. These investments will be paired with a new initiative in the Department of Education to expand preschool to all low- and moderate-income four-year-olds.

**Promotes Responsible Fatherhood and Strong Families.** The Budget proposes policy changes to modernize the Child Support Enforcement Program, which touches the lives of one-quarter of the Nation's children. These policy changes will encourage non-custodial parents to take greater responsibility for their children while maintaining rigorous enforcement efforts. The Budget supports States in providing access and visitation services that can improve a non-custodial parent's relationship with his or her family and increases support for States that pass child support payments through to families rather than retaining them. The program will continue to evaluate the effectiveness of providing employment services aimed at increasing child support payments from non-custodial parents. In addition, the Budget provides \$35 million for States to test strategies to overcome financial deterrents to marriage.

**Provides Services for Vulnerable Populations.** The Administration continues to support flexible funding through waivers that allow States to test innovative approaches to child welfare service delivery and financing, which may help shape future reforms. The Budget provides \$45 million over three years to reauthorize grants that help children reconnect with family members. The Budget also includes \$10 million for a new initiative to prevent and address domestic human trafficking. This initiative will provide direct services to domestic victims of trafficking, train service providers, and invest in data collection, research, and evaluation.

**Provides Targeted Energy Assistance to Low-Income Families.** The Budget provides \$3 billion for the Low Income Home Energy Assistance Program (LIHEAP) to help struggling families with residential heating and cooling expenses. The Budget targets funds to States with vulnerable households facing high home heating

costs. The Budget includes \$50 million for competitive grants to help reduce energy burdens for LIHEAP households that rely on persistently high-cost systems.

**Cuts and Reforms the Community Services Block Grant (CSBG).** CSBG provides funding for the important work of community action agencies, but the program's current structure does too little to hold these agencies accountable for outcomes. The Budget provides \$350 million for CSBG and proposes to use competition to target the funds to high-performing agencies that are most successful in meeting important community needs.

***Improves the Way Federal Dollars are Spent and Strengthens Long-Term Viability of Current Programs***

**Reduces Waste, Fraud, and Abuse in Medicare, Medicaid, and the Children's Health Insurance Program (CHIP).** Progress has been made in reducing the Medicare fee-for-service improper payment rate and in implementing the Affordable Care Act's anti-fraud provisions. The Budget builds on this progress through a robust set of proposals to strengthen Medicare, Medicaid, and CHIP program integrity. The Budget proposes \$640 million in combined mandatory and discretionary program integrity funding to implement activities that reduce payment error rates, prevent fraud and abuse, target high-risk services and supplies, and enhance civil and criminal enforcement for Medicare, Medicaid, and CHIP. For example, the Budget proposes to authorize civil monetary penalties or other intermediate sanctions for providers who do not update enrollment records and permit exclusion of individuals affiliated with entities sanctioned for fraudulent or other prohibited actions from Federal health care programs. The Budget also expands authorities to investigate and prosecute allegations of abuse or neglect of Medicaid beneficiaries in additional health care settings and affirms Medicaid's position as a payer of last resort when another entity is legally liable to pay claims for beneficiaries. These new resources and

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 improved 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 crack down 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.

**Streamlines Systems and Lowers Drug Costs for Medicare Beneficiaries.** The Budget proposes to implement a streamlined, single beneficiary appeals process for managed care plans that integrate Medicare and Medicaid payment and services and serve Medicare-Medicaid enrollees to address the sometimes conflicting requirements in each program. The Budget also proposes to permanently authorize a demonstration that provides retroactive drug coverage for certain low-income Medicare beneficiaries through a single plan, establishing a single point of contact for beneficiaries seeking reimbursement for claims. 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.