

MEMORANDUM

To: ACRM

From: Peter Thomas, Bobby Silverstein, Steve Postal, and Leif Brierley

Date: May 26, 2017

Re: **Synopsis of President's FY 2018 Federal Budget Proposal Emphasizing the Impact on Health Care**

OVERVIEW

On Tuesday, May 23, 2017, President Trump released his [FY 2018 Budget](#). According to [A New Foundation for American Greatness](#), a document prepared by the Office of Management and Budget (OMB), the Budget includes:

- \$3.6 trillion in spending reductions over 10 years;
- \$54 billion increase in defense spending in 2018 (\$52 billion increase for the Department of Defense as well as \$2 billion of increases for other national defense programs), which is fully offset by \$54 billion in reductions to non-defense programs; and
- A plan that would reduce non-defense budget authority by two percent each year, to reach approximately \$385 billion in reduced spending by 2027, or just over 1.2 % of gross domestic product (GDP).

OMB notes that the increase in funding for defense will require congressional action to eliminate the defense sequester and raise the cap on defense discretionary spending. A chart included in the OMB document [page 42] highlights increases and decreases in proposed funding for the next fiscal year for key departments and agencies, including:

Increases:

- Defense—Increase of 10.1 percent;
- Homeland Security—Increase of 6.8 percent; and
- Veterans Affairs—Increase of 5.8 percent.

Decreases:

- Health and Human Services—Decrease of 16.2 percent;
- Education—Decrease of 13.5 percent;
- Labor—19.8 percent; and
- Environmental Protection Agency—31.4 percent.

We prepared a comprehensive chart for select programs funded by the Departments of Labor, Health and Human Services (HHS), Education, and Related Agencies (attached). This memorandum highlights proposed funding levels for select programs operated by HHS, including the National Institutes of Health, Centers for Disease Control and Prevention, Centers for Medicare and Medicaid Services, Health Resources Services Administration,

Substance Abuse and Mental Health Services Administration, Administration for Community Living, and the Office of the Secretary.

IMPORTANT NOTE: The Administration’s documents and most press reports use funding comparisons between the FY 2017 Continuing Resolution (CR) figures and the FY 2018 budget numbers. Our chart and memorandum compare President Trump’s proposed funding levels for FY 2018 to *final funding levels for FY 2017* (i.e., the FY 2017 Omnibus Appropriations Bill). The funding levels in the FY 2017 Omnibus Appropriations bill, which was signed less than three weeks prior to the release of the FY 2018 Budget, are not always the same as those included in the CR. For example, the funding level for NIH in the FY 2017 Omnibus Appropriations bill is \$34.084, which is \$1.4 billion more than the \$32.6 billion funding level included in the FY 2017 CR. Comparing the Omnibus funding levels to the FY 2018 budget numbers provides a more accurate accounting of increases and decreases in proposed FY 2018 funding levels.

FY 2018 BUDGET BY SELECT AGENCIES

NATIONAL INSTITUTES OF HEALTH (NIH)

- Provides \$26.9 billion for NIH, which is \$7.1 billion below the FY 2017 Omnibus Appropriations bill level of \$34.084 billion, a 21% decrease.
- Reduces funding for the National Cancer Institute by \$1.2 billion, the largest reduction for any Institute, from \$5.389 to \$4.174 billion.
- Reduces funding for the Institute of Child Health and Human Development by \$348 million, from \$1.380 to \$1.032 billion.
- Includes \$272 million in budget authority within NIH to preserve research activities previously carried out by the Agency for Healthcare Research and Quality (AHRQ), a reduction of \$52 million.
- Eliminates the Fogarty International Center (\$72.2 million included in the FY 2017 Omnibus Appropriations bill). Approximately \$25 million (within the Office of the Director) will be dedicated to coordinating global health research across the NIH, including issues regarding workforce development and engagement with NIH’s international biomedical research partners.

CENTERS FOR DISEASE CONTROL AND PREVENTION (CDC)

- Provides \$5.1 billion for CDC, which is \$1.2 billion below the FY 2017 Omnibus Appropriation bill level of \$6.3 billion, a 19% decrease.
- Reduces funding for the National Center for Chronic Disease Prevention and Health Promotion by \$164 million, from \$1.116 billion to \$952 million.
- Reduces funding for the National Center for Birth Defects and Developmental Disabilities by \$37.5 million, from \$137.5 million to \$100 million.
- Reduces funding for the National Center for Injury Prevention and Control by \$70 million, from \$286 million to \$216 million.

CENTERS FOR MEDICARE AND MEDICAID SERVICES (CMS)

- **Affordable Care Act**—Includes \$250 billion in net deficit savings over 10 years associated with health care reform adopted by the House of Representatives.
- **Medicare**—Proposes nationwide medical liability reforms that will reduce medical malpractice costs and the practice of defensive medicine, saving Medicare \$31.4 billion over ten years.
- **Medicaid**—Includes a reduction of \$610 billion over 10 years. It is unclear whether the \$610 billion overlaps with some of the \$800 billion in savings in the health care bill passed by the House of Representatives. According to OMB Director Mulvaney in recent congressional testimony, the number may be somewhere between \$800 billion and \$1.4 trillion, most likely approximately \$1.3 trillion.
- **Program Integrity**—Provides \$2.1 billion in funding for Health Care Fraud and Abuse Control (HCFAC) in FY 2018. The Budget requests \$751 million in discretionary Health Care Fraud and Abuse Control funding, an increase of \$26 million. The discretionary funding is allocated to CMS program integrity activities (\$610.4 million), the Department of Justice (\$66.4 million), and the HHS Office of Inspector General (\$74.2 million).
- **IMPACT Act**—Provides \$19 million in FY 2018 to implement the Improving Medicare Post-Acute Care Transformation Act (IMPACT Act). The IMPACT Act (enacted in 2014) calls for CMS to develop and collect uniform data across post-acute care settings.
- **Medicare Appeals**
 - Increases discretionary funding for the Office of Medicare Hearings and Appeals (OMHA) by \$9.8 million, from \$107.381 million to \$117.177 million.
 - Also includes a “legislative proposal” to devote \$125 million of *mandatory* funding per year for 10 years to address the extensive backlog of Administrative Law Judge appeals, totaling nearly \$1.3 billion.
 - Establishes a higher amount in controversy to file appeals (\$1,560 in CY 2017 and updated annually for each appeal), expediting claims where there is no material fact in dispute, remanding appeals to the redetermination level with introduction of new evidence, and consolidating claims (no budget impact).
 - Proposes funds to Program Operations (part of CMS) of \$2.4 billion. These funds include:
 - Ongoing Medicare Contractor Operations: Approximately 36 percent, or \$885 million, of the FY 2018 Program Operations request supports ongoing Medicare contractor operations.
 - Medicare Appeals: The Budget includes \$87 million to timely process about 970,000 provider and beneficiary claim appeals at the second level of appeals.
 - Includes \$17 million for the Departmental Appeals Board, comprised of \$15 million in discretionary budget authority and \$2 million in proposed mandatory funding. The Board provides adjudication and other conflict resolution services in administrative disputes involving HHS, including Medicare appeals. The Budget

increase for FY 2018 will provide additional support to the Medicare Appeals Council to keep pace with the growing number of Medicare appeals.

HEALTH RESOURCES AND SERVICES ADMINISTRATION (HRSA)

- Provides approximately \$24.0 million for the Division of Transplantation, which administers a variety of organ donation and transplantation programs. This represents a \$451,000 increase.
- Provides \$10.2 million for the 340B Drug Pricing program, at level funding.
- Provides \$295 million in discretionary funding for the Children’s Hospital Graduate Medical Education Program, a decrease of \$5 million.

SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION (SAMHSA)

- Provides \$3.892 billion for SAMHSA, a \$127 million increase.
- Provides \$416 million for the mental health block grant, a \$116.6 million decrease.
- Provides \$119 million for children’s mental health, level funding.

ADMINISTRATION FOR COMMUNITY LIVING (ACL)

- Proposes \$45 million for a new program entitled, “Partnerships for Innovation, Inclusion and Independence” by eliminating:
 - State Councils on Developmental Disabilities (-\$73 million);
 - Independent Living State Grants (-\$23 million); and
 - Traumatic Brain Injury State Implementation Partnership Grants (-\$6.1 million).
- Reduces funding by \$9 million for the National Institute on Disability, Independent Living, and Rehabilitation Research, from \$104 million to \$95 million.
- Provides zero funding for the Paralysis Resource Center; \$6.7 million was included in the FY 2017 Omnibus Appropriations bill.
- Provides zero funding for the Limb Loss Information Center; \$2.5 million was included in the FY 2017 Omnibus Appropriations bill.

OFFICE OF THE SECRETARY

- Provides \$1.7 billion for the Public Health and Social Services Emergency Fund, an increase of \$133 million, to maintain and build on the Department’s capacity to address biodefense and cybersecurity needs, support state and local preparedness, and respond to emerging influenza viruses with pandemic potential. This includes:
 - \$72 million for the HHS Cybersecurity Program.
 - \$8 million for the Office of Security and Strategic Information.