22. HEALTH

Table 22–1. FEDERAL RESOURCES IN SUPPORT OF HEALTH
(In millions of dollars)

Function 550	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Spending:							
Discretionary Budget Authority	25,086	26,355	27,515	28,276	29,221	30,479	32,957
Mandatory Outlays:							
Existing law	100,882	106,339	115,050	122,450	131,564	141,347	152,447
Proposed legislation	.....	.....	44	124	224	–110	–120
Credit Activity:							
Direct loan disbursements	21	.....	.....	.....	.....	.....	.....
Guaranteed loans	140	152	74	13	6	.....	.....
Tax Expenditures:							
Existing law	75,506	80,580	85,925	91,480	97,585	104,356	112,109

Federal health programs work to improve America's health. In 1999, the Federal Government will spend about $141 billion and allocate about $86 billion in tax incentives to provide direct health care services, promote disease prevention, further consumer and occupational safety, conduct and support research, and help train the Nation's health care work force. Together, these Federal activities have generated considerable progress in extending life expectancy, cutting the infant mortality rate to historic lows, preventing and eliminating infectious diseases, leveling fatality among those with HIV/AIDS, and maintaining the quality of life of individuals suffering from chronic diseases and disabilities.

In 1995, estimated life expectancy matched the record high, 75.8 years, of 1992. The steady rise since the early 1900s is partly attributable to advances in medical science, health technologies, and public health administration. Furthermore, infant mortality has reached a record low of 7.5 infant deaths per 1,000 live births, a six-percent reduction from the previous year. For the first time, HIV/AIDS death rates did not increase from the previous year. The age-adjusted death rate from HIV infection was 15.4 deaths per 100,000 population in 1995.

President Johnson and Congress created Medicaid in 1965 as a Federal-State partnership to provide health insurance for the low-income elderly and the poor. Since then, the Nation's leaders have expanded the program from time to time to meet emerging needs. In 1986, for instance, they answered public concerns about high infant mortality rates and the decline in private insurance coverage by expanding Medicaid coverage for prenatal and child health services. In 1997, the President and Congress created a new children's health program that builds on the success of previous Medicaid expansions for children.

The Federal Government also helps expand health care coverage to those with which it has a special obligation (including veterans, uniformed military personnel, and American Indians and Alaska Natives). To foster significant advances in treatments and cures, Federal health grants help sponsor biomedical research that would not otherwise take place. Together, Federal assistance in health improves the public welfare and health status.

The Department of Health and Human Services (HHS) is the Federal Government's lead agency for health programs. HHS' Strategic Plan states the agency mission as: "to enhance the health and well-being of Americans by providing for effective health and human services and by fostering strong, sustained advances in the sciences underlying medicine, public health, and social services."

HHS' Strategic Plan includes six goals:

(1) Reduce the major threats to health and productivity of all Americans;

(2) Improve the economic and social well-being of individuals, families, and communities in the United States;

(3) Improve access to health services and ensure the integrity of the Nation's health entitlement and safety net programs;

(4) Improve the quality of health care and human services;

(5) Improve public health systems; and

(6) Strengthen the Nation's health sciences research enterprise and enhance its productivity.

Health Care Services and Financing

Of the estimated $141 billion in Federal health care outlays in 1999,[1] 88 percent finances or supports direct health care services to individuals.

Medicaid: This Federal-State health care program served about 33 million low-income Americans in 1997, with the Federal Government spending $95.6 billion (57 percent of the total) while States spent $72 billion (43 percent). States that participate in Medicaid must cover several categories of eligible people, including certain low-income elderly, people with disabilities, low-income women and children, and several mandated services, including hospital care, nursing home care, and physician services. States also may cover optional populations and services. Under current law, Federal experts expect total Medicaid spending to grow an average of 7.2 percent a year from 1998 to 2003.

[1] Excluding Medicare and the military and veterans medical programs.

Medicaid covers a fourth of the Nation's children and is the largest single purchaser of maternity care as well as of nursing home services and other long-term care services; the program covers almost two-thirds of nursing home residents. The elderly and disabled made up less than a third of Medicaid beneficiaries in 1996, but accounted for almost two-thirds of spending on benefits. Other adults and children made up over two-thirds of recipients, but accounted for less than a third of spending on benefits. Medicaid serves at least half of all adults living with AIDS (and up to 90 percent of children with AIDS), and is the largest single payer of direct medical services to adults living with AIDS.

States increasingly rely on managed care arrangements to provide health care through Medicaid, with enrollment in such arrangements rising from 7.8 million in 1994 to 13 million in 1996.

The 1997 Balanced Budget Act (BBA) made important changes to Medicaid in order to reduce spending, mainly by reducing the Disproportionate Share Hospital program, and giving States more flexibility. Specifically, the Act gave States the option of requiring most beneficiaries to enroll in managed care plans without seeking a Federal waiver. It repealed the Boren Amendment, giving States more flexibility to set hospital and nursing home reimbursement rates. It added a State option of guaranteeing Medicaid eligibility to children for 12 months, regardless of changes in the child's family income, and restored Medicaid benefits for certain groups of immigrants who would otherwise lose them under the 1996 welfare law.

The Health Care Financing Administration (HCFA), which administers Medicaid, will work with the States to develop and test Medicaid performance goals in accordance with the 1993 Government Performance and Results Act. Because Medicaid's success is integrally related to States' decisions on eligibility, reimbursement rates, delivery systems, and services, HCFA must select performance goals in consultation with States to ensure that they are compatible with State goals and objectives.

In 1998, HCFA and the National Association of State Medicaid Directors will conduct three formal consultation meetings to:

- identify areas of performance measurement;
- identify potential performance measures; and
- reach consensus on performance measures for HCFA's 2000 Annual Performance Plan.

In 1999, HCFA will work with the States to establish performance measurement baselines and performance targets.

Medicaid supports HHS' first three strategic goals.

Children's Health Insurance Program: Ten million American children lack health insurance. To increase the number of children with insurance, the BBA established the State Children's Health Insurance Program (CHIP), which provides $24 billion over the next five years for States to expand health insurance coverage to low-income, uninsured children. The new program strikes a balance between providing States with broad flexibility in program design and protecting beneficiaries through basic Federal standards. States have great flexibility to choose to expand Medicaid, create a separate State program, or use a combination of the two. At the same time, the new law ensures that States provide a meaningful benefit package, limit cost sharing, maintain their current Medicaid programs, and provide accountability.

Each State may receive CHIP funding after HCFA approves its child health plan. State child health plans must describe the strategic objectives, performance goals, and performance measures used to assess the effectiveness of the plan. In preparation for its 2000 Annual Performance Plan, HCFA will work with the States to develop a consensus for a performance measure related to cutting the number of uninsured children and increasing the enrollment of eligible children in CHIP and Medicaid.

In developing such a measure, HCFA and the States likely will consider such factors as:

- How much CHIP has increased the number of children with creditable health coverage;
- The characteristics of the children and families who were helped;
- The quality of coverage and types of benefits provided;
- The level of State contributions; and
- Recommendations to improve the program.

HCFA will work with the States to identify possible sources of data for performance measurement. In 2002, the Secretary of Health and Human Services will issue a report, based on State evaluations, with conclusions and recommendations.

HHS also is working to develop performance measures for CHIP. As does Medicaid, CHIP supports HHS' first three strategic goals.

Other Health Care Services: HHS supplements Medicare and Medicaid with a number of "gap-filling" grant activities to support health services for low-income or specific populations, including Consolidated Health Center grants, Ryan White AIDS treatment grants, the Maternal and Child Health block grant, Family Planning grants, and the Substance Abuse block grant. In addition, the Indian Health Service (IHS) delivers direct care to about 1.3 million American Indians and Alaska Natives as a part of the Federal Government's trust obligations. The IHS system, located primarily on or near reservations, includes 49 hospitals, 195 health centers, and almost 300 other clinics.

HHS agencies have sought to ensure that specific populations have access to high-quality Federal health services. Similar to health insurance programs, these supplemental health service programs support HHS' first three strategic goals. HHS agencies have developed performance measures to help plan, track, and evaluate program effectiveness.

In 1999, HHS agencies will work to meet the following goals:

- *IHS:* Cut the incidence of amputation and blindness linked to diabetic neuropathy and retinopathy by five percent in the Native American and Alaska Native diabetic populations, compared to the 1996 rate,

which varies from 45 percent among the Sioux to 18 percent among the Pima Indians.

- *Substance Abuse and Mental Health Services Administration:* Reverse the upward trend and cut monthly marijuana use among 12 to 17-year-olds by 25 percent, from the 1995 baseline of 8.2 percent to 6.2 percent, by the end of 2002.
- *Health Resources and Services Administration (HRSA):* Increase the percent of infants born to pregnant women receiving prenatal care, beginning in the first trimester, from the 1995 rate of 81.3 percent.
- *HRSA:* Cut, by eight percent, the number of AIDS cases in children as a result of perinatal transmission, compared to the 1996 baseline of 678 cases.
- *Agency for Health Care Policy and Research:* Release and disseminate Medical Expenditure Panel Survey data and associated products to the public within nine to 12 months of data collection.
- *Office for Civil Rights:* Increase the number of managed care plans in compliance with Title VI, Section 504 and the Americans with Disabilities Act.

Also in 1999, the Consumer Product Safety Commission will reduce product-related head injuries to children by 10 percent.

Prevention Services: Prevention can go far to improve Americans' health. Measures to protect public health can be as basic as providing good sanitation and as sophisticated as preventing bacteria from developing resistance to antibiotics. State and local health departments traditionally lead such efforts, but the Federal Government—through HHS' Centers for Disease Control and Prevention (CDC)—also provides financial and technical support. For a half-century, CDC has worked with State and local governments to prevent syphilis and eliminate smallpox and other communicable diseases.

More recently, CDC has focused on preventing a host of diseases, including breast cancer, prostate cancer, lead poisoning among children, and HIV/AIDS. Furthermore, CDC is working to reduce the prevalence of chlamydia among high-risk women under age 25 in federally-funded family planning and Sexually Transmitted Disease (STD) clinics from nine percent in 1996 to below six percent. HHS' prevention programs support its first, fourth, and fifth strategic goals.

- Working with HCFA, CDC will continue to help States ensure that, by age two, at least 90 percent of all U.S. children receive each recommended basic childhood vaccine.

Biomedical Research: The National Institutes of Health (NIH) is among the world's foremost biomedical research centers and the Federal focal point for the Nation's biomedical research. NIH research is designed to gain knowledge to help prevent, detect, diagnose, and treat disease and disability. NIH conducts research in its own laboratories and clinical facilities; supports research by non-Federal scientists in universities, medical schools, hospitals, and research institutions across the Nation and around the world; helps train research investigators; and fosters communication of biomedical information.

NIH supports over 50,000 grants to universities, medical schools, and other research and research training institutions while conducting over 1,200 projects in its own laboratories and clinical facilities. NIH-supported research has helped to achieve many of the Nation's most important public health advances. Examples of recent research advances include the identification of a gene that predisposes men to prostate cancer; the development of potentially life-saving new therapies for HIV-infected individuals; the identification of certain risk factors for breast cancer which result from mutated genes; and the development of new technology for detecting defects in human chromosomes.

In continuing to make new discoveries in these and other research areas, NIH has set forth its vision of biomedical and behavioral research in the HHS strategic plan. Also, as a steward of public funding for research, NIH helps grantee institutions improve their internal business systems so they can more easily comply with Federal grant requirements. NIH programs support HHS' first, fourth, and sixth strategic goals.

NIH has set bold performance goals for the next century of research, such as:

- completing the sequencing of the human genome project by 2005 by initially reaching a production rate of 100 million base pairs in 1999, growing to a production rate of over 300 base pairs a year by 2003; and
- leading the national effort to meet the President's goal of developing an AIDS vaccine by 2007.

Public Health Regulation and Safety Inspection: The Food and Drug Administration (FDA) spends $1 billion a year to promote public health by helping to ensure through premarket review and post-market surveillance that foods are safe, wholesome, and sanitary; human and veterinary drugs, biological products, and medical devices are safe and effective; and cosmetics and electronic products that emit radiation are safe. FDA also helps the public gain access to important new lifesaving drugs, biological products, and medical devices. It leads Federal efforts to ensure the timely review of products and ensure that regulations enhance public health, not serve as an unnecessary regulatory burden. In addition, the FDA supports research, consumer education, and the development of both voluntary and regulatory measures to ensure the safety and efficacy of drugs, medical devices, and foods. With the 1997 reauthorization of the Prescription Drug User Fee Act, FDA will continue to collect pharmaceutical industry fees to accelerate the review of drug applications.

FDA programs support HHS' first and fifth strategic goals.

To speed the review process, FDA has set the following performance goals for 1999:

- review and process 90 percent of complete new drug applications within a year of submission;
- review and process 90 percent of complete new drug applications for priority drugs within six months of submission; and
- review and process 75 percent of new medical device applications (know as pre-market applications) within 180 days, compared to 54 percent in 1996.

To give the public useful health information, FDA has set the following performance goal:

- Ensure that, by the year 2000, 75 percent of consumers receiving drug prescriptions will get more useful and readable information about their product.

FDA will define the term "usefulness" in terms of: scientific accuracy, unbiased content and tone, specificity and comprehensiveness, and timeliness. Based on the FDA's own national surveys, only 32 percent of consumers received useful information on new drug prescriptions in 1992.

The Food Safety and Inspection Service (FSIS) inspects the Nation's meat, poultry, and egg products, ensuring that they are safe, wholesome, and not adulterated. With $600 million in annual funding, agency staff inspect all domestic livestock and poultry in slaughter plants; conduct at least daily inspections of meat, poultry, and egg product processing plants; and inspect imported meat, poultry, and egg products. In 1996, FSIS issued a major regulation that will begin shifting responsibility for ensuring meat and poultry safety from FSIS to the industry. The regulation should allow FSIS to better target its inspection resources to the higher-risk elements of the meat and poultry production, slaughter, and marketing processes.

- By 1999, 92 percent of all federally-inspected meat and poultry products will be under a Hazard Analysis Critical Control Point (HACCP) system and, by 2000, all plants will produce products under HACCP.

Workplace Safety and Health

The Federal Government spends $550 million a year to promote safe and healthy workplaces for over 100 million workers in six million workplaces, mainly through the Labor Department's Occupational Safety and Health Administration (OSHA) and Mine Safety and Health Administration (MSHA). Regulations that help businesses create and maintain safe and healthy workplaces have significantly cut illness, injury, and death from exposure to hazardous substances and dangerous employment. In 1996 (the most recent year for which data are available), workplace

injuries and illnesses fell to the lowest rate on record. OSHA and MSHA will work to continue this trend by enforcing their regulations and helping employers and workers.

- By focusing on the most hazardous industries and workplaces and the most prevalent workplace injuries and illnesses, OSHA over the next two years will reduce workplace injuries and illnesses by 20 percent in 50,000 workplaces.
- MSHA will, in 1999, reduce fatalities and lost workdays in all mines to below the average number recorded for the previous five years.

Tax Expenditures

Federal tax laws help finance health insurance and care. Most notably, employer contributions for health insurance premiums are excluded from employees' taxable income. In addition, self-employed people may deduct a part (45 percent in 1998, rising to 100 percent in 2007 and beyond) of what they pay for health insurance for themselves and their families. Individuals who itemize also may deduct certain health-related expenses—such as insurance premiums that employers do not pay; expenses to diagnose, treat, or prevent disease; and expenses for certain long-term care services and insurance policies—to the extent that they exceed 7.5 percent of the individuals' adjusted gross income. Total health-related tax expenditures, including other provisions, will reach an estimated $86 billion in 1999, and $491 billion from 1999 to 2003; the exclusion for employer-provided insurance and related benefits (including deductions by the self employed) accounts for most of these costs ($76 billion in 1999 and $438 billion from 1999 to 2003).