

3. STRENGTHENING HEALTH CARE

We must also keep fighting to extend affordable health care to Americans who lack it. This is a continuing problem in our Nation, as all of you know. Still there are too many children who lose their hearing because an ear infection goes untreated, or wind up in the emergency room because they couldn't see a doctor in a more regular way. Too many patients skimp on their own health to provide coverage for their children; too many missed chances to prevent illness and prepare young people to lead healthy lives—all these the product of the fact that tens of millions of Americans still don't have affordable health care.

President Clinton
January 2000

From the first days of his Administration, President Clinton has worked to expand access to affordable quality health care for all Americans. When he took office in 1993, workers feared that taking leave from work to care for an ill family member could cost them their jobs. There were no Federal protections to assure the portability of health benefits for workers who changed or lost their jobs or to protect workers from discrimination by health plans based on their health status. Individuals with disabilities were not able to return to the workforce without losing their Medicare or Medicaid health coverage.

At that time, the ability of the Nation's health care system to deliver high quality care was in question. The public health delivery system was in badly need of repair: half of two-year-olds did not receive immunizations they needed against deadly diseases; cigarette use among youth was increasing; teenage pregnancy rates were high; the number of new HIV/AIDS infections and deaths was spiraling; and, Federal support for mental health was a low priority. Health care costs were rising at a rapid rate while the number of uninsured—especially uninsured children—was growing. Fraud, abuse, and inefficiency plagued the Medicare and Medicaid programs. Moreover, the strains on the Medicare program meant that it was projected to enter bankruptcy in 1999.

There are still many challenges, but in the past seven years, there has been significant progress in improving the Nation's health

care system. Largely through reforms enacted in the Balanced Budget Act of 1997, success in curbing fraud, waste, and abuse in the Medicare program, and a sound fiscal policy, the Federal Government's success in constraining the growth of Medicare and Medicaid has freed resources to expand coverage and extend the life of the Medicare trust fund to at least 2015, while pursuing a responsible and balanced fiscal policy that will eliminate the national debt.

There are other key measures of this progress: today childhood immunization rates for the most critical vaccines are at over 80 percent; the rate of increase in youth smoking slowed over the past two years and experts predict that the slowing will continue; teenage pregnancy is at an all time low; and, Federal funding for mental health has increased by 90 percent.

The enactment of the Health Insurance Portability and Accountability Act means that today Americans who change jobs can maintain their health insurance coverage while insurers are now limited in their ability to deny coverage due to pre-existing conditions. Last year's enactment of the Ticket to Work and Work Incentives Improvement Act enables people with disabilities to enter the workforce without losing their critically important health coverage. The President continues to vigorously pursue efforts to pass a Patients' Bill of Rights before leaving office to extend essential patient protections to all Americans, including guaranteed access to needed health

care specialists and emergency room services. By Executive Order last year, the President extended these and other essential patient protections to the more than 85 million Americans enrolled in Federal health plans.

The State Children's Health Insurance Program (SCHIP) was created in 1997 to provide coverage for the uninsured children of hard-working, low-income parents. SCHIP has doubled its enrollment in the past year to two million uninsured children. The success of SCHIP illustrates that it is possible, working in partnership with the States, to formulate and implement policies to significantly expand coverage to millions of uninsured Americans. Support for and the expansion of SCHIP to include parents are among the President's key initiatives in the 2001 Budget.

The budget builds on these accomplishments with initiatives that include:

- *Preparing for the aging of America:* The budget includes the President's Medicare reform proposal, which strengthens and modernizes the program by extending the life of the Medicare trust fund to at least 2025 and provides for the provision of a long overdue and optional prescription drug benefit. The budget also addresses the Nation's growing long-term care needs by expanding the President's long-term care initiative.
- *Improving access to affordable health care:* The budget includes a major new initiative to decrease the number of uninsured that includes: expanding coverage to the uninsured parents of children eligible for Medicaid and SCHIP; accelerating enrollment of uninsured children in Medicaid and SCHIP; offering 55 to 65 year old Americans the option to buy into the Medicare program; encouraging small businesses to offer health insurance; providing a tax credit for the purchase of health insurance for employees in transition; restoring Medicaid eligibility to legal immigrants; and, extending transitional Medicaid programs for the working poor.
- *Assuring and improving quality of care:* The budget includes investments to improve the quality of care for patients Nation-wide, including new efforts to prevent medical errors and improve the quality of care through improvements in information technology. It also includes a new initiative to protect patients purchasing prescription drugs over the Internet. These initiatives complement the Administration's support of a strong, enforceable Patients' Bill of Rights. The Norwood-Dingell legislation is representative of such a policy, which has received broad, bipartisan support in the House of Representatives.
- *Supporting biomedical research:* Building on recent funding increases for the National Institutes of Health (NIH) and investing almost \$19 billion at NIH in 2001, this budget includes a \$1 billion increase for biomedical research. The Federal investment in biomedical research continues to yield dramatic medical advances that improve health and quality of life. These additional resources will build on existing research in such areas as genomic medicine and bioengineering, that combine knowledge of basic biology with technological advances to produce new, life-saving therapies.
- *Safeguarding and improving public health through disease prevention and health promotion:* To protect and advance public health, the budget invests in: a stringent tobacco control policy; expanded efforts to combat HIV and AIDS both domestically as well as overseas; food safety programs; additional efforts to combat emerging infectious diseases; a new cancer clinical trials demonstration project for Medicare beneficiaries; family planning efforts Nation-wide; efforts to promote childhood immunizations; mental health and substance abuse prevention activities; improving the public health response to the threat of bioterrorism; a strong Food and Drug Administration (FDA); and, providing quality care for Native Americans and veterans.

The budget provides significant increases to address global public health challenges, such as HIV/AIDS, polio, and infectious diseases.

- *Ensuring the fiscal integrity of the Medicare and Medicaid programs:* The budget proposes aggressive efforts to reduce Medicare fraud, waste, and abuse, and to improve the management of Medicare and Medicaid.

Preparing for the Aging of America

Since its creation in 1965, Medicare has provided medical care for tens of millions of older and disabled Americans, extending and saving lives in the process. Medicare is an essential part of American life—elderly Americans can be secure in knowing their medical needs will be treated while their adult children are not forced to make the difficult choice between their parent’s medical costs and the needs of their own children. However, the demographic changes ahead, associated with the aging of America, mean that unless we make the right decisions today, the future of Medicare is at risk. Moreover, an aging society will strain our current long-term care system—which is already fragmented and not meeting the needs of many Americans.

At the start of a new century, all Americans can take great pride in the legacy of the Medicare program. In its 35-year history, Medicare has helped to lift elderly Americans out of poverty, while offering health care that has extended and improved the quality of their lives. During this time, the average life expectancy of Americans at age 65 has increased by 20 percent. Poverty among the elderly has dropped by nearly two-thirds, and access to care has increased by one-third.

However, this new century will present Medicare with serious challenges. With Americans living longer, the number of Medicare beneficiaries is rising much faster than the number of workers paying into the system. By about 2015, the Medicare trust fund will be insolvent just as the baby boom generation begins to retire and become eligible for Medicare. Since Medicare’s creation, the world of medicine has changed, including

increased reliance on prescription drugs to treat illness and extend lifespan. If we are to keep the promise of Medicare for future generations, the program designed for the 1960s must be modernized and strengthened to meet the challenges of the 21st Century.

The budget includes a comprehensive plan to reform and modernize this vitally important program. This historic plan will: (1) modernize Medicare’s benefits; (2) make the Medicare program more efficient and competitive; and, (3) extend the solvency of the Medicare Hospital Insurance Trust Fund.

Modernizing Medicare’s Benefit Package:

- *Creating a prescription drug benefit:* The centerpiece of the President’s plan is an outpatient prescription drug plan that would be available to all Medicare beneficiaries. The drug plan would have no deductible and pay half of all beneficiaries’ prescription drug costs up to \$2,000 in 2003 and \$5,000 when fully phased-in by 2009. The benefit would be administered by private sector pharmaceutical benefit managers (PBMs) or other qualified entities, who rely on market competition to ensure access and quality for Medicare beneficiaries while obtaining lower prices on drugs. Low-income beneficiaries with incomes below 135 percent of poverty would not pay premiums or share in the cost of drug coverage and those with incomes between 135 and 150 percent of poverty would receive premium assistance. The plan also proposes to give financial incentives to employers who currently offer retiree prescription drug benefits to encourage the private sector to maintain its important coverage.
- *Expanding access to preventive benefits:* This plan creates incentives to encourage Medicare beneficiaries to monitor their health and get medical care early, if necessary, which can save lives and minimize the need for more extensive medical treatment later. It would eliminate existing co-insurance and the deductible for Medicare-covered preventive benefits, including colorectal cancer screenings, bone mass measurement, pelvic exams, prostate cancer screening, diabetes self management

benefits, and mammographies. The plan also proposes a three-year demonstration to provide smoking cessation services to Medicare beneficiaries.

- *Rationalizing cost sharing and Medigap:* To help offset the costs of benefit improvements, the President's plan proposes to add new cost-sharing requirements for clinical laboratory services and to adjust the Part B deductible by indexing for inflation. It has been fixed at \$100 since 1991. The plan also proposes to improve the Medigap market by expanding opportunities and options for individuals to enroll in Medigap plans.
- *Reserving additional funds for protections against catastrophic drug costs:* The budget includes a reserve fund of \$35 billion in on-budget surplus money over 10 years. This funding is reserved for debt reduction or, in the event that the President and Congress agree, a policy that provides for protections against catastrophic drug costs for Medicare beneficiaries, or policies that otherwise strengthen the Medicare program.

Making Medicare More Efficient and Competitive:

- *Fee-for-Service (FFS) modernization:* The budget proposes to give the traditional fee-for-service Medicare program new purchasing tools to leverage volume discounts from health care providers and improve quality of care. These proposals build on prior successful Medicare demonstrations, and management tools commonly found in the private sector, such as disease management services, which have been found to improve health care outcomes while reducing health care costs.
- *Competitive defined benefit proposal:* Under current law, Medicare+Choice plans are paid through a complicated administrative pricing structure that sets Government payments to private plans based on the costs of the traditional FFS program. For the first time, beneficiaries will be able to choose their managed care plan based on price and quality. The President's plan proposes to require plans to

bid on a defined set of benefits and gives beneficiaries an incentive to choose lower cost plans in the form of lower premiums.

- *Medicare management improvements:* The President's plan continues its initiative to improve the Health Care Financing Administration's (HCFA's) management of the Medicare program through a continuing reform process that will increase HCFA's flexibility while also increasing accountability.

Extending the Solvency of the Medicare Program: At a time when America's prosperity is strong, we need to prepare for the coming demographic boom, and strengthen Medicare for future generations. The President's plan dedicates part of the budget surplus to Medicare solvency—\$299 billion over 10 years. This will extend the solvency of the Medicare Hospital Insurance Trust Fund to at least 2025, and will eliminate the need to radically cut access to and quality of Medicare benefits for America's elderly that would be inevitable in the absence of new resources. At the same time, by paying down the debt, this will ensure that the Government and the Nation are soundly positioned to meet the challenge of the retiring baby boomers.

Improving Long-term Care: The budget proposes a \$3,000 tax credit to provide support for Americans who care for a disabled or elderly relative. The budget also proposes group long-term care insurance for Federal employees, annuitants, and their families. Employees would pay the full cost of insurance premiums, which, at group rates, are expected to be 15 to 20 percent lower than the individual rates otherwise available. The budget invests \$100 million in an innovative housing initiative to integrate assisted living facilities and Medicaid home and community-based long-term care and \$140 million in a new Medicaid option to equalize eligibility for people with long-term care needs in community settings. The budget includes \$125 million for a new national program to provide assistance to families who care for disabled elderly relatives by supporting local efforts to provide respite care and counseling, information, and other support services.

Improving the Quality of Nursing Home Care: The budget invests an additional \$15.9 million for continuing Nursing Home Initiative activities, a 29-percent increase over the 2000 funding level. The initiative will help States strengthen nursing home enforcement tools to ensure facilities meet Federal quality standards, and increase Federal oversight of nursing home quality and safety standards. The initiative includes funding to improve and target nursing home inspections and respond to resident and family complaints in a timely and effective manner. Funding will be provided for more frequent surveys of repeat offenders and improving surveyor training, handling increased legal advice, litigation, and hearings on nursing home enforcement cases and addressing the backlog of nursing home appeals.

Improving Access to Affordable Health Care

The President remains strongly committed to expanding access to health care, particularly to vulnerable groups such as children, the near-elderly who are not yet eligible for Medicare benefits, families who cannot afford health insurance, and legal immigrants. His 2001 Budget proposal to expand access to affordable health insurance to working Americans represents the most significant investment in health coverage in recent years. This proposal addresses the continued rise in the number of uninsured, one of the few indicators that has not improved in this strong economy. These policies to expand access to affordable insurance would be complemented by an investment of an additional \$175 million in community-based efforts to strengthen the health care safety net.

Increasing Children's Enrollment in SCHIP: The President proposed the creation of a State Children's Health Insurance Program in 1997. Passed by Congress the same year, the program provides health insurance to uninsured, low-income children, increases their access to early preventive medicine (including immunizations), and enhances their chances of becoming healthy adults. Administered by the States, either through Medicaid or a separate SCHIP program, SCHIP has already successfully reached two million uninsured, low-income children. Despite the suc-

cess of initial enrollment efforts, however, more must be done to provide health insurance coverage to uninsured, low-income children.

This initiative accelerates enrollment of uninsured children in Medicaid and SCHIP by expanding efforts in schools and simplifying eligibility. This initiative promotes enrollment in the SCHIP program and in Medicaid through schools by: enabling school lunch programs to share eligibility information with Medicaid and SCHIP for outreach programs; and, allowing additional sites, such as schools, child care referral centers, and homeless programs to determine presumptive eligibility. The initiative would also simplify the enrollment process by requiring states to make Medicaid applications no more complicated than their SCHIP applications. Finally, it creates an one-time \$10 million competitive grant program for State demonstrations to coordinate programs and increase enrollment of homeless children and families in Medicaid, SCHIP, and other social service programs.

Covering the Uninsured Parents of Children in Medicaid or SCHIP: At the center of the President's 2001 health insurance coverage initiative is a proposal to allow States to cover the parents of children eligible for Medicaid and SCHIP. Many of the parents of the children eligible for Medicaid and SCHIP are themselves uninsured. Expanding Medicaid and SCHIP eligibility to parents will help reduce the growing number of low-income adults who are without health insurance and increase the enrollment of their children by enabling entire families to receive coverage through the same programs.

The budget proposes to expand SCHIP to become the FamilyCare program. FamilyCare would:

- *Provide higher Federal matching payments for expanding coverage to parents.*

States that raise their eligibility levels for parents would receive higher Federal matching payments for coverage provided to these parents. Funding for these payments will be provided through increased State allotments.

- *Enroll the parents in the same program as their children.*

Parents would be insured in the same program as their children to improve efficiency and continuity of care. Priority would be given to parents at the lowest end of the income eligibility scale just as lower income children are given priority in SCHIP. States would also be required to show that they are successfully enrolling children below 200 percent of the Federal poverty level in SCHIP before accessing additional funds for adults. Given the experience of SCHIP and the strong State support to extend SCHIP to parents, it is likely that many States will take up this option. If, after five years, however, some States have not expanded coverage of parents to at least 100 percent of poverty (\$16,000 for a family of four), a failsafe mechanism would be triggered to require States to go to at least that level of coverage.

Providing Medicare Buy-In for Certain 55 to 65 Year Olds: The fastest growing group of uninsured are those ages 55 to 65. Between 1997 and 1998, the proportion of people in this age group who were uninsured increased by seven percent. As the baby boom generation enters this age group, this problem will only get worse. This initiative expands the health options available for older Americans by: enabling Americans aged 62 to 65 to buy into Medicare; providing a similar Medicare buy-in for vulnerable displaced workers ages 55 and older; and providing COBRA to Americans ages 55 and older whose companies reneged on their commitment to provide retiree health benefits. To help people afford the Medicare buy-in, a new tax credit of 25 percent of the cost of the premium would be created. It would be available to both people ages 62 to 64 and displaced workers ages 55 to 65. Those in this group accessing COBRA would qualify for the 25 percent credit for COBRA (described below).

Encouraging Small Businesses to Offer Health Insurance: Workers in small businesses are more likely to be uninsured. This initiative would encourage small businesses to offer health insurance through: a new tax credit for small businesses who join coalitions; tax-

exempt status for foundation contributions to create coalitions; and, technical assistance. It would be different from last year's proposal because the credit would be increased to 20 percent of the employer contribution, and the credits would be available for eight years.

Providing a Tax Credit for COBRA Continuation Coverage: Currently, employers must offer departing employees the option of buying into their health plan at a premium of 102 percent. Intended to ensure coverage during the transition to new jobs, this policy has proven unaffordable to some people and burdensome to some employers. To address these concerns, the new proposal would provide a tax credit of 25 percent for this coverage to departing employees who take this option.

Extending Transitional Medicaid Extension: The budget proposes to extend and improve the transitional Medicaid program, which provides up to one year of coverage to those in transition, including welfare recipients who get jobs. This eases the transition to work and removes a critical disincentive—the immediate loss of Medicaid coverage. Without this extension, the program would end in October 2001.

Providing a New Medicaid Option to Cover Certain Low-Income Uninsured Women with Breast or Cervical Cancer: The budget includes a proposed State option to provide Medicaid coverage to low-income, uninsured women who screen positive under the CDC Breast and Cervical Cancer Early Detection Program.

Expanding State Options to Insure Children Through Age 20: Nearly one in three people ages 18 to 24 are uninsured, mostly because they are no longer dependents but often do not have jobs that offer affordable coverage. The budget would allow States to cover people ages 19 and 20 in Medicaid and SCHIP.

Restoring Medicaid Eligibility for Legal Immigrants: The budget would restore Medicaid benefits to three vulnerable groups of legal immigrants: children; pregnant women; and, disabled immigrants whose eligibility for SSI would also be restored. In addition, parents of legal immigrant children who have benefits restored would also be covered under the

Medicaid/SCHIP family coverage policy described above. As the President has pledged, and has achieved for other groups so affected, this would reverse an inequity enacted in welfare reform.

Reinforcing the Nation's Safety Net: To continue to address the health care needs of people who remain uninsured, the Administration's budget strengthens funding for the direct delivery of health care services and improves access to the health care system. The budget proposes \$125 million, a 400-percent increase, to improve health care access for the uninsured by coordinating systems of care, increasing the number of services delivered, and establishing accountability in the system to assure adequate patient care. Additionally, the budget proposes an increase of \$50 million for a total of over \$1 billion to support and enhance the network of community health centers that serve millions of low-income and uninsured Americans.

Assuring and Improving Quality of Care

President Clinton has forcefully advanced efforts to promote patients' rights and ensure the delivery of high quality health care. Last year, the House of Representatives passed the Norwood-Dingell legislation which provides a strong enforceable Patients' Bill of Rights. The President encourages Congress to finish this job and pass legislation that includes critical patients protections such as: guaranteed access to needed health care specialists; access to emergency room services when and where the need arises; continuity of care protections so that patients will not have an abrupt transition in care if their providers are dropped; access to a fair, unbiased and timely internal and independent external appeals process to address health plan grievances; and, an enforcement mechanism that ensures recourse for patients who have been harmed as a result of a health plan's actions. These protections are now guaranteed for the 85 million Americans in Federal health plans. In the budget, the President has included a number of initiatives to improve health care quality.

Preventing Medical Errors and Improving Quality of Care: As many as 90,000 Americans die each year as the result of medical errors. The budget includes new funding at HHS, VA, and DOD to develop new avenues for the prevention of medical errors, including new funding to increase medical errors prevention, patient safety research, and information dissemination. In addition, in 2001, the Office of Personnel Management (OPM) will require Federal Employees Health Benefits Program participating carriers to institute initiatives to improve health care quality through the prevention of medical errors and enhancements in patient safety. The budget will also take steps to improve health care quality and reduce medical errors by investing in the development of information technology in the health care system, one of the most effective ways to improve the quality and efficient delivery of healthcare. This initiative will also ensure a coordinated Federal focus on health information confidentiality and security data standards.

Protecting Patients Purchasing Prescription Drugs Over the Internet: This initiative will invest \$10 million in new funds in the investigation, identification, and prosecution of websites selling unapproved new drugs, counterfeit drugs, prescription drugs without a valid prescription, expired or illegally diverted pharmaceuticals, and the marketing of products based on fraudulent health claims. It will also establish new Federal certification requirements for all Internet pharmacy sites, increase current civil penalties, and provide FDA with new administrative subpoena authority.

Improving Health Care Quality: The budget proposes a \$51 million increase for the Agency for Healthcare Research and Quality to enhance research on the uses and tools of health information technology, conduct clinical prevention research in the area of medical error reduction, expand research on worker safety issues, and otherwise enhance research on health care services, outcomes, effectiveness, cost, and quality.

Supporting Biomedical Research

Biomedical research is a foundation for combating disease and providing new technologies, from the eradication of smallpox to the disappearance of polio in the Western Hemisphere. Funding for biomedical research at NIH has increased by 73 percent since the beginning of the Clinton Administration. To underscore the Administration's commitment to this important research, the President made a commitment in 1999 to increase the NIH budget by nearly 50 percent in five years. Since that time, the NIH budget has increased by over \$4.3 billion. If the Congress provides full funding for the President's new \$1 billion investment, the Administration will be one year ahead of schedule in reaching the 50 percent goal and will have increased by over 80 percent since 1993. NIH now supports the highest levels of research ever for cancer, diabetes, heart disease, and nearly all types of disease and health conditions.

The knowledge gained from investing in biomedical research has already yielded a powerful information base that is steadily growing and paving the way for concrete advances. For example, major clinical studies have demonstrated that if people with diabetes can control their blood sugar levels very carefully, they can reduce or prevent development of complications of the disease. A sustained investment in NIH will enable scientists to seize emerging research opportunities in diabetes and other diseases that are a tremendous burden on health in the United States and abroad.

This year, the budget proposes an additional \$1 billion for NIH, for a total funding level of nearly \$19 billion. These resources will allow NIH to continue to support new and expanded research that will lead to new medical advances such as those referenced in the Diabetes Research Working Group study. In addition, the budget proposes to repeal the provision enacted for 2000 which would delay the availability of 2000 funds for NIH and other HHS programs.

Using Genetic Discoveries to Improve Health Care: The Human Genome Project is scheduled to complete a working draft of the genome sequence by the spring of 2000, consid-

erably ahead of schedule. New funds included in the budget will be used to explore the genetic factors associated with:

- *Complex chronic diseases:* Over the past year, researchers supported by NIH have discovered a number of genes associated with hearing loss, Alzheimers disease, and epilepsy. New funds will be used to continue this research and investigate the genetic causes of complex chronic diseases, including diabetes, heart disease, retinal disorders, and Parkinson's disease.
- *Individual response to medical therapies:* Genetic discoveries often reveal new strategies for the development of more effective pharmaceuticals because we are able to determine exactly how certain chemicals interact with human cells. New funds will be used to research how an individual's genetic makeup determines the effectiveness of medications, as well as what side effects are likely to occur.

Translating Research into Practice: Over the past year, researchers supported by NIH have discovered a simple, affordable drug to prevent transmission of HIV in infants, which could potentially prevent the infection of up to 400,000 newborns, and a tissue engineering method to grow new arteries, key to the development of new therapies for heart disease.

Funds will be used to develop new clinical trials evaluating therapies for cancer, stroke, diabetes, and mental illness and disseminate information on the clinical application of scientific breakthroughs to the public.

Eliminating Health Disparities: Racial and ethnic minorities face disproportionately high infant mortality, low rates of childhood vaccination, high prevalence of cardiovascular disease and diabetes, and shorter lifespans than the population as a whole.

In addition, NIH will establish within the Office of the Director a Coordinating Center that will lead NIH's efforts to develop multidisciplinary approaches to reducing health disparities. In addition, NIH will seek legislative authority for the Coordinating Center to award grants for health disparities research under exceptional circumstances. The budget includes a \$20 million increase for health disparities research conducted by NIH Insti-

tutes and the Office for Research on Minority Health that will be an integral part of the new center.

Fostering Interdisciplinary Research:

New funds will be used to: develop and expand competitive grant programs to encourage researchers in fields such as mathematics, physics, and computer science to contribute to medical research and develop new ways to effectively manage data to maximize the scientific discoveries that will spring from new biological information.

Safeguarding and Improving Public Health Through Disease Prevention and Health Promotion

The budget affirms the Administration's commitment to improving public health, with renewed emphasis on measures to combat smoking, especially among young people. The budget also makes additional investments in: expanded efforts to combat HIV and AIDS both domestically and internationally; food safety programs; efforts to combat emerging infectious diseases; efforts to determine the environmental causes of disease; family planning efforts nationwide; efforts to promote childhood immunizations; supports pediatric physician training; a Medicare demonstration project on cancer clinical trials; mental health and substance abuse prevention activities; asthma treatment for low income children; improving the public health response to the threat of bioterrorism; a strong FDA; and, providing quality care for Native Americans and veterans.

Fighting Infectious Diseases Overseas:

The budget dedicates \$50 million to purchase vaccines for diseases that ravage poor nations, including hepatitis B, certain forms of meningitis, and yellow fever, helping to save millions of children. Purchasing existing vaccines is the first step toward accelerating the development and delivery of vaccines for AIDS, malaria, TB, and other diseases disproportionately affecting the developing world. Funds will be invested in the Global Alliance for Vaccines and Immunizations, a new, collaborative effort of UNICEF, the World Bank, the World Health Organization, and other governments and private organizations around the world. In addition, a new tax credit will encourage the devel-

opment of vaccines for diseases that occur primarily in the developing world (e.g., HIV/AIDS, malaria, TB, and other infectious diseases).

Stopping Youth Smoking: Almost 90 percent of adult smokers began smoking by age 18 and today, 4.1 million children aged 12 to 17—37 percent of all high school students—smoke cigarettes. Tobacco is linked to over 400,000 deaths a year from cancer, respiratory illness, heart disease, and other problems. To end this public health crisis, the budget supports a focused public health effort to reduce youth smoking. The 1998 State tobacco settlement was an important step in the right direction. The Administration believes additional steps must be taken at the national level to reduce youth smoking.

- *Cut youth smoking in half by holding the tobacco industry accountable:* Public health experts agree that the single most effective way to cut youth smoking is to raise the price of cigarettes. To build on the momentum of the increases already agreed to between the tobacco companies and the States and those already legislated by Congress, the budget includes a combination of excise tax increases and youth smoking assessments. The cigarette excise tax would be increased 25 cents per pack beginning October 1, 2000, and the already legislated increases would be moved to that date. In addition, beginning in 2004, tobacco companies would pay a youth smoking assessment, at twice the estimated lifetime profit per underage smoker each year that underage smoking has not been reduced by 50 percent.
- *Reaffirm FDA's full authority to keep cigarettes out of the hands of children:* The Administration will continue to support full FDA authority to regulate tobacco products in order to halt advertising targeted at children, and to curb minors' access to tobacco products.
- *Support efforts to prevent youth smoking:* To support tobacco prevention in States and local communities, the budget includes \$39 million for FDA tobacco enforcement activities. The budget also provides \$106 million for the Centers for Disease Control and Prevention's (CDC) to-

bacco control efforts—a tenfold increase from \$10.3 million in 1993 to \$106 million in 2001.

- *Require States to cover smoking cessation drugs under Medicaid:* The budget includes a proposal to require States to cover prescription and non-prescription smoking cessation drugs for Medicaid beneficiaries at the standard Federal match. This proposal furthers the Administration's goal of reducing the incidence of smoking-related diseases and ensures that Medicaid beneficiaries have access to important smoking cessation drugs.
- *Protect farmers and farming communities:* The Administration fully supports the \$5 billion settlement to compensate tobacco farmers, which was agreed to by the States and the industry in 1998, and is committed, as Federal litigation proceeds to judgement or settlement, to ensuring funds are set aside for tobacco farmers and their communities.
- *Dedicate tobacco recoveries to strengthening Medicare and Social Security, farmers, veterans, and other Federal health programs:* Tobacco-related health problems have cost Medicare and other Federal programs billions of dollars each year. To recover these losses, the Department of Justice has brought suit against the tobacco industry, and the budget contains ample resources to pay the necessary legal costs. The Administration will propose that, in addition to any remedies imposed by the court to advance public health, \$5 billion of any judgement or settlement be used to assist tobacco farmers and their communities, and to support the Department of Veterans Affairs health programs and other Federal health programs. One hundred percent of the remaining recoveries would be dedicated to the Medicare and Social Security trust funds, two-thirds to Medicare and one-third to Social Security, to enhance the security of these programs for future generations.

Preventing HIV Transmission: The budget includes an additional \$50 million in community-based prevention interventions and education in the United States to reduce the rate of new HIV infections through expanded

community prevention planning, with a special emphasis on racial and ethnic minorities, women, injection drug users and their partners, and young gay men. The budget also proposes a \$125 million increase in Ryan White treatment grants to increase access to quality medical care for individuals living with HIV/AIDS including expanded access to life saving pharmaceuticals. The budget continues the initiative to reduce the spread of HIV/AIDS in racial and ethnic minority communities.

The Administration secured, in 2000, \$100 million to begin a Global HIV/AIDS initiative to help prevent the spread of HIV and AIDS in the developing world. This year, the budget will invest a total of \$342 million in HIV prevention around the world to build on that commitment, adding \$100 million to last year's allocation. Funds will be targeted to the countries where the disease is most widespread and where our efforts will have the greatest impact. Activities include: increasing primary prevention efforts; providing care and treatment for individuals infected with HIV; caring for children orphaned by AIDS; strengthening the public health infrastructure; assisting armed forces in preventing the spread of HIV within military organizations; and, initiating HIV prevention programs in the workplace.

Enhancing Food Safety: The budget proposes a \$68 million, or 19-percent, increase over the 2000 level for the Administration's interagency food safety initiative (FSI), for a total of \$422 million in FSI funding in 2001. This includes an additional \$30 million to: allow the FDA to conduct annual inspections of 100 percent of high-risk food establishments; expand the number of imported food exams; complete the National Antimicrobial Resistance Monitoring System; increase laboratory testing capacity; improve research and risk assessment (particularly in the areas of antimicrobial resistance in animals and animal feeds and in the development of methods for predicting risk associated with foodborne pathogens); and, expand surveillance and education activities. A \$10 million increase would allow CDC to enhance the national network of public health laboratories capable of subtyping foodborne pathogen DNA for rapid response to disease outbreaks (PulseNet), as well as enhance public education efforts. USDA's

\$28 million increase would extend risk assessment modeling and data collection to include the pre-harvest phase for all foods, expand education activities, and support bioscience research to develop effective methods of handling and treating agricultural products to minimize microbial contamination. Funding is also included for HHS and USDA to begin implementation of the Egg Safety Action Plan, adopted by the President's Council on Food Safety in December 1999.

Preventing Infectious Diseases: This initiative will dedicate an additional \$20 million, a 45-percent increase over the 2000 funding level, to create a consistent national architecture for infectious disease surveillance to link public health clinics, hospitals, and health care providers. A standardized national system for collecting and analyzing epidemiological data on infectious diseases will also help address problems, such as West Nile-like encephalitis and influenza.

Determining the Environmental Causes of Disease, Including Breast and Prostate Cancer: This initiative will invest an additional \$10 million, a 56-percent increase over the 2000 funding level, for CDC's environmental health laboratory to: evaluate the exposure of men, women, and children to toxic substances that may cause breast and cervical cancer, birth defects, or other diseases; develop new and improved methods of measuring human exposure to toxic substances; and, assist State and local public health officials to rapidly evaluate the impact of public health emergencies, such as chemical spills and groundwater contamination, on local residents.

Increasing Family Planning Efforts Nationwide: The budget will invest an additional \$35 million, a 15-percent increase over the 2000 funding level, for grants to family planning clinics providing reproductive health services and clinical care to roughly five million low income clients. Family planning funding has contributed to the lowest teenage pregnancy in 20 years, the decline in teenage sexual activity, and the prevention of over a million unintended pregnancies each year by improving the delivery of comprehensive reproductive health services. In addition, these clinics provide STD and cancer screening and prevention; HIV prevention, education and coun-

seling; educational programs that encourage adolescents to postpone sexual activity; access to contraceptive counseling and services as well as access to effective contraceptives for those in need; and, partnerships with other community based providers to conduct outreach to adolescents at risk. The budget also continues the requirement that health plans in FEHBP offer the full range of contraceptive options.

Promoting Childhood Immunizations: The budget proposes almost \$1 billion for the childhood immunizations initiative, including the Vaccines for Children program and CDC's discretionary immunization program. The incidence of vaccine-preventable diseases among children, such as diphtheria, tetanus, measles, and polio, is at an all-time low.

Eradicating Global Polio: The budget includes funds in CDC and the U.S. Agency for International Development to continue efforts to eradicate polio globally, and provides an additional \$15 million through CDC in 2000 to expedite and intensify global polio eradication activities in those countries where polio still exists.

Increasing Access to Cancer Clinical Trials Through a Demonstration for Medicare Beneficiaries: The budget increases access to cutting-edge cancer treatments by establishing a \$750 million demonstration program. Medicare beneficiaries who participate in certain cancer clinical trials will have their routine patient care costs reimbursed by the Federal Government.

Expanding Substance Abuse Activities: The budget includes an \$82 million increase for the prevention and treatment of substance abuse, a 50-percent increase from the 1993 enacted level. These new funds continue the Administration's commitment to expand substance abuse treatment for thousands of under-served Americans. To help communities address gaps in substance abuse services for emerging areas of need, the budget proposes an additional \$54 million for Targeted Capacity Expansion grants, approximately \$10 million of which will be used for services to ex-offenders, complementing similar proposals in the Departments of Justice and Labor budgets. With this increase and an additional \$31 million in funding for the Substance Abuse Block

Grant, the budget will provide treatment for over 15,000 additional individuals. This additional \$97 million is funded through a combination of new resources and redirecting existing resources. In addition, in January 2001, the FEHBP's benefit structure will, for the first time, provide for parity in the provision of benefits for mental health and substance abuse, which have long been given less favorable treatment by the health care industry.

Increasing Federal Support for Improving the Mental Health of All Americans:

According to the December 1999 Surgeon General's Report on Mental Health, one in five Americans is living with a mental health disorder. This report states that the fundamental components of effective service delivery are broadly agreed upon, but in short supply. The budget provides \$731 million, an increase of \$100 million for mental health services, a \$349 million, 90-percent increase from 1993. This includes a \$60 million increase for the Mental Health Block Grant, which provides integral support to States for services for people with severe mental illnesses. The budget also proposes \$30 million for new Targeted Capacity Expansion grants to assist those with mental illnesses that the Mental Health Block Grant is not authorized to serve.

Improving Asthma Treatment for Low-

Income Children: The budget proposes \$100 million in demonstration grants to States to test innovative asthma disease management techniques for children enrolled in Medicaid to help these children receive the most appropriate care, and keep their asthma in check. This program serves as an example of how core entitlement programs can help to accomplish critical public health goals—keeping children with asthma out of emergency rooms through appropriate environmental and pharmaceutical disease management.

Supporting a Strong FDA: The budget proposes an increase of 13 percent, or \$163 million, over the 2000 program level to ensure the timely review of important drugs, medical devices, and food additives; expand inspection coverage of facilities under their jurisdiction; and, improve the quality of information on injuries and medical errors associated with FDA-regulated products.

Improving the Public Health's Response to the Threat of Bioterrorism:

The budget proposes an increase of \$18.5 million, seven percent after reductions are taken for one-time activities, for medical and public health response and preparedness related to potential terrorist use of biological and chemical weapons. The proposed increase would support 25 new local health care response systems for a total of 97 systems by the end of 2001. These activities are part of a broader multi-agency effort to address counter-terrorism.

Promoting Full Participation in the Women, Infants, and Children (WIC) Program:

Last year, WIC reached over 7.3 million low-income women, infants, and children, providing vouchers for nutritional food packages, nutrition education and counseling, and health and immunization referrals. Due in large part to expansion during this Administration, funding has grown by over 40 percent, and the program now helps nearly half of America's infants. Funding for 2000 is sufficient to serve 7.4 million women, infants, and children. This budget proposes \$4.1 billion to serve 7.5 million people by the end of 2001 in order to fulfill the President's goal of full participation, making sure that all who are eligible may take part in WIC.

Providing Quality Health Care to Native Americans:

The budget proposes an investment of \$2.6 billion, an increase of \$230 million, or 10 percent, over the 2000 funding level, that reflects a five-pronged funding strategy for the Indian Health Service (IHS) (see Chapter 7, "Strengthening the American Community"). This initiative includes new efforts to: expand preventive services designed to reduce the need for acute medical care; expand patient access to clinical services and treatment to help decrease health disparities; improve emergency medical services in remote locations common on American Indian and Alaska Native reservations; address the environmental conditions in American Indian and Alaska Native homes and communities by constructing safer water and waste disposal facilities; expand programs that provide substance abuse treatment and mental health services; enhance surveillance capabilities; provide preventive and corrective dental care and water fluoridation to reduce tooth loss; maintain, improve, and construct IHS' health delivery infrastruc-

ture; and, help meet the IHS' Government Performance and Results Act goals of providing an additional 20,000 screening breast cancer mammographies, increasing access to dental care to an additional 25,000 patients, and enabling 25 new community-based public health nurses to provide an additional 25,000 home-based counseling, monitoring, and case management services.

Caring for Veterans: Building on its commitment to veterans, the Administration proposes \$20.9 billion for the Department of Veterans Affairs medical care system, an increase of \$1.4 billion. This funding, which includes \$0.6 billion in collections, will ensure that the Department can aggressively reduce waiting times, provide high quality care, and test and treat Hepatitis C.

The budget provides for the full implementation of expanded benefits authorized by the recently passed Millennium Bill including: expanded nursing home care for the most disabled veterans and coverage of emergency care at non-VA facilities for certain enrolled veterans.

Ensuring the Fiscal Integrity of the Medicare and Medicaid Programs

The budget proposes improvements to Medicare and Medicaid to improve the efficacy and strength of these programs.

Strengthening Medicare Program Integrity: The budget includes several policies to further reduce Medicare fraud, abuse, and overpayment. The budget proposes efforts to strengthen our commitment to eliminate fraud and abuse, ensure that Medicare payments to hospitals and other providers are reasonable, and promote competitive pricing. In addition, the budget will eliminate overpayments that facilities receive for drugs used to treat anemia, reform outpatient mental health benefits, and require insurance companies to provide information that will ensure that private insurers pay claims for which they are legally responsible.

The budget also proposes a new Medicare contractor oversight initiative. This initiative will invest \$48 million in a comprehensive program to improve Medicare contractor internal controls and financial accounting, enhance

Federal performance measuring and monitoring, and establish a structure for overall Federal oversight. The initiative will fund additional contractor staff to establish and implement financial controls. The initiative will also develop new evaluation protocols and management information systems to assess contractor performance. The budget also funds new staff to monitor and oversee contractor operations and financial management and allows HCFA to contract out to test and evaluate contractors internal controls. This initiative was developed in response to a GAO report critical of a number of inappropriate practices by some Medicare contractors. In a closely related effort, the budget invests \$7 million to implement a new integrated financial ledger system at the contractors to improve financial accountability.

Maintaining Fiscal Responsibility in Medicaid: The budget includes four provisions that will strengthen fiscal integrity and accountability in the Medicaid program:

- *Ensure appropriate allocation of Medicaid costs:* The budget treats shared Medicaid and Temporary Assistance for Needy Families (TANF) administrative costs similar to the way the Agricultural Research Act of 1998 addressed common Food Stamp and TANF costs. The budget proposes a State-by-State approach and retains State flexibility in the use of TANF block grant funds.
- *Strengthen HHS' authority to enforce compliance with Medicaid requirements:* Separately, the budget also gives the Secretary of Health and Human Services modest new enforcement authority when States fail to comply in a non-substantial manner with Federal requirements.
- *Improve Medicaid payment for prescription drugs:* The Medicaid rebate statute currently requires brand-name drug manufacturers to pay an additional dollar-for-dollar rebate to the Medicaid program if they increase the prices of their brand-name drugs in excess of the Consumer Price Index (CPI-U). This same requirement does not apply to generic drugs. However, the Administration has found that some generic drug prices have increased rapidly in the past few years. The budget proposes

to extend to generic drugs the same CPI-U adjustment to the Medicaid rebate that currently applies to brand-name drugs.

- *Share the Medicaid prescription drug average manufacturer price (AMP) with States:* HCFA has found that prescription drug companies often inflate the prices charged to States on prescription drugs covered by the Medicaid prescription drug program.

The prices are inflated relative to the AMP, a measure that must be reported by drug companies to HCFA but may not be shared with States. Since many States use other less accurate information made to set Medicaid reimbursement rates, they often overpay for prescription drugs. The budget proposes to allow HCFA to share the AMP with States so that States can use this data to more accurately set Medicaid drug reimbursement rates.