12. HEALTH

Table 12–1. Federal Resources in Support of Health
(In millions of dollars)

Function 550	2000 Actual	Estimate					
		2001	2002	2003	2004	2005	2006
Spending:							
Discretionary Budget Authority ...	33,823	38,858	41,008	45,663	46,882	48,130	49,397
Mandatory Outlays:							
Existing law	124,521	138,710	152,363	168,913	183,636	199,672	216,553
Proposed legislation	.....	2,500	10,675	13,743	14,571	4,265	121
Credit Activity:							
Guaranteed loans	5	32	21	21	22	22	23
Tax Expenditures:							
Existing law	91,080	99,750	108,620	117,750	127,500	136,810	147,080

In 2002, the Federal Government will spend about $193 billion under existing law and allocate nearly $109 billion in tax incentives to provide direct health care services, promote disease prevention, further consumer and occupational safety, and conduct and support research. These Federal activities aim to improve the health of Americans as evidenced by key health statistics such as life expectancy and infant mortality. In addition, in 2002 Federal health programs will continue efforts to research and understand the causes of diseases such as cancer and diabetes, as well as to reduce the incidence of HIV and other infectious diseases. The Department of Health and Human Services (HHS), as the Federal Government's lead agency for health, will undertake a thorough examination across the entire Department to become more efficient and ensure a streamlined, rationalized budget and program structure.

Health Care Services and Financing

Of the estimated $193 billion in Federal health care spending in 2002, 84 percent finances or supports direct health care services to individuals.

Immediate Helping Hand (IHH): The Immediate Helping Hand initiative provides critical assistance to our Nation's most vulnerable senior citizens for the cost of their prescription drugs. It provides $46.0 billion for 2001–2005 to States to help low-income Medicare beneficiaries pay for their prescriptions. This proposal builds on coverage that is already in place in more than half the States and would provide benefits to 9.5 million vulnerable Medicare beneficiaries who currently do not have any other prescription drug coverage. The plan is unique because needy seniors will be able to get help with their prescription drug costs this year.

IHH covers the full cost of drug coverage for individual Medicare beneficiaries with incomes up to $11,600 who are not eligible for Medicaid or a comprehensive private retiree benefit, and for married couples with incomes up to $15,700 (135 percent of poverty) who do not have access to coverage. These beneficiaries would receive comprehensive drug insurance for no premium with nominal charges for prescriptions.

IHH covers part of the drug costs for individual Medicare beneficiaries with incomes up to $15,000 and married couples with incomes up to $20,300 (175 percent of poverty). These beneficiaries would receive subsidies for at least 50 percent of the premium for drug coverage.

IHH also provides catastrophic drug coverage for all Medicare beneficiaries, giving them financial security against the risk of very high out-of-pocket prescription expenditures.

Medicaid: This Federal-State health care program served about 33.4 million low-income Americans in 2000. States that participate in Medicaid must cover several categories of eligible people as well as several mandated services. The Federal Government spent $117.9 billion, 57 percent of the total, on the program in 2000 while States spent $89.1 billion, or 43 percent. 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 a third of Medicaid enrollees in 2000, but accounted for approximately two-thirds 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. Medicaid pays for over one-third of the Nation's long-term care services. Medicaid spends more on institutional care today than it does for home and community-based care, but the mix of payments is expected to be almost equal in 10 years.

Current restrictions and requirements in the Medicaid program may be inhibiting the States' ability to operate the program efficiently. In addition to taking steps to further address the Medicaid upper payment limit loophole, the Administration plans to consult with the States on the development of ideas to increase State flexibility, control Medicaid costs, improve Medicaid coverage, and ensure the fiscally prudent management of the Medicaid program.

A major Administration priority is to improve the quality of Medicaid coverage. Because the Health Care Financing Administration (HCFA) and States jointly administer Medicaid, HCFA has worked with State Medicaid agencies to develop national performance goals for Medicaid. These efforts will continue in 2002. With respect to the goal of increasing immunization rates among Medicaid children, HCFA will continue to collaborate with States to develop individualized State immunization goals, with each State developing its own methodology, baseline, and three-year target. In 2002, the first and second groups of States will report their progress towards their State goals, and the final group of States will establish their baselines and targets. HCFA's goal complements the Centers for Disease Control and Prevention's (CDC's) broader 2002 goal of helping States ensure that at least 90 percent of all U.S. children by age two receive each recommended basic childhood vaccine.

State Children's Health Insurance Program: The State Children's Health Insurance Program (S-CHIP) was established in 1997 in the Balanced Budget Act to provide $24 billion over five years for States to expand health insurance coverage to low-income, uninsured children. S-CHIP provides States with broad flexibility in program design while protecting beneficiaries through basic Federal standards.

Each State's S-CHIP plan describes the strategic objectives, performance goals, and performance measures used to assess the effectiveness of the plan. HCFA has been working with the States to develop baselines and targets for the S-CHIP/Medicaid goal of decreasing the number of uninsured children by enrolling children in S-CHIP and Medicaid. In 2000, 3.3 million children were enrolled in S-CHIP, a 70-percent increase over 1999 levels. However, more than twice as many children remain uninsured.

Other Health Care Services: In addition to Medicare and Medicaid, HHS administers a number of other programs, some of which have been added to the inventory of HHS activities over the last several years. As a result, HHS has evolved into a sprawling, loosely organized bureaucracy where several programs are serving similar populations. During 2002, HHS will ensure strong centralized control and coordination to eliminate overlap and duplicative activities. Selected health-related 2002 performance goals are highlighted below.

- *Access to health care:* The budget includes a Community and Migrant Health Center (CMHC) initiative to increase access to

health care by supporting 1,200 new and expanded community health center sites over five years. In 2001, 3,263 CMHC sites delivered high quality, culturally competent care to millions of uninsured and underserved Americans. In 2002, the number of health center sites will increase by almost 100. By increasing the number of health care access points, CMHCs will be able to help assure the provision of preventive and primary health care to almost one million more individuals than were served in 2001.

- *Healthy Communities Innovation Fund (HCIF):* The 2002 Budget includes an HHS-wide HCIF initiative that will make available approximately $400 million within existing grant activities to target innovative solutions in areas of health risks such as heart disease, adult and childhood Type II diabetes, and childhood obesity. HHS will ensure that the best and broadest range of innovative solutions are funded across the country.
- *Indian Health Service (IHS):* IHS is committed to addressing the major health problems afflicting Native Americans and Alaska Natives and has targeted diabetes because of the high prevalence of this disease in this population. IHS' efforts in disease monitoring, prevention education, and treatment focus on improving the average blood sugar levels of IHS' diabetic patients. In 2002, IHS will demonstrate a continued trend in improved glycemic control in the proportion of Native American patients with diagnosed diabetes.
- *Substance Abuse and Mental Health Services Administration (SAMHSA):* SAMHSA is committed to narrowing the treatment gap between those in need of treatment and those with access to it, which is almost three million individuals. SAMHSA also seeks positive, measurable outcomes for those people who do receive treatment. By 2007, SAMHSA expects that those who complete substance abuse treatment programs will achieve a 10-percent increase in full-time employment status, a 10-percent increase in educational status for adolescents, a 10-percent decrease in illegal activity, and a 10-percent increase in general medical health.
- *Youth drug treatment:* While drug use among youth increased for much of the last decade, there has been some encouraging news in the most recent data. The percent of youths age 12 to 17 who reported current use of illicit drugs decreased from 11.4 percent in 1997 to nine percent in 1999. In 2002, SAMHSA will aim to cut monthly marijuana use in this population by 25 percent, from the 1998 baseline of 8.3 percent to 6.2 percent.
- *Services for the mentally ill:* The Surgeon General's 1999 report on mental health states that one in five Americans is living with a mental health disorder. Mental health services funded in SAMHSA will advance the goal of increasing the percent of adults with serious mental illness who are employed, are living independently, and have had no contact with the criminal justice system.

Consumer Product Safety Commission (CPSC): In 1999, there were an estimated 670,000 product-related head injuries to children under 15 years old. As a part of CPSC's effort to reduce head injuries by 10 percent by 2006, this independent agency recalled or took corrective actions on 20 products in 1999 and 32 in 2000 that presented a substantial risk of head injury. In 2002, CPSC projects pursuing another 30 recalls or corrective actions of products that present substantial risk of head injury.

Bioterrorism: HHS' Office of Emergency Preparedness will work with localities to establish 25 new Metropolitan Medical Response Systems, which develop and link local public health, public safety, and health services capabilities to respond to a chemical/biological/nuclear terrorist incident, for a total of 122 systems in various stages of development by the end of 2002. HHS will spend $52 million in 2002 on a civilian stockpile of therapeutics to meet potential threats caused by the agents listed in the 1999 Antibioterrorism Plan: anthrax, plague, tularemia, smallpox, and nerve and blister agents. In 2002, HHS plans to meet preparedness targets for treating victims of these agents as specified in the Plan. Two new agents have been added to the list, and HHS

has begun determination of both treatment methods and victim numbers for these agents. Preparedness percentages will rise each year, with an expected readiness level of 100 percent to be reached for each agent on the list, including the two new agents, by 2004.

HHS' HIV/AIDS Prevention and Care Activities: HHS spends approximately $2.7 billion for the Centers for Disease Control and Prevention (CDC) and the Health Resources and Services Administration (HRSA) to prevent the spread of HIV/AIDS both domestically and increasingly, internationally, and provide appropriate treatment for those living with HIV/AIDS.

- By 2005, CDC will reduce the incidence of new HIV infections in the United States by 50 percent, from 40,000 in 1999 to 20,000 in 2005. As part of its efforts to achieve this goal, CDC will reduce the number of new infections by approximately six percent by 2002.
- Internationally, working with other countries, the U.S. Agency for International Development, and international and U.S. Government agencies, CDC will reduce the number of new infections among 15 to 24 year-olds in sub-Saharan Africa from an estimated two million, by 25 percent by 2005.
- There are an estimated 800,000 to 900,000 persons in the United States living with HIV infection, two-thirds of whom are aware of their status. HRSA's Ryan White CARE Act treatment efforts will increase the number of AIDS Drug Assistance Program (ADAP) clients receiving HIV/AIDS medications during at least one month of the year through State ADAPs from 65,387 in 2000 to approximately 72,000 clients in 2002.

Centers for Disease Control and Prevention: CDC is the leading prevention agency within the public health service and focuses on preventing and controlling disease, injury and disability. CDC's activities cover a broad range of programmatic areas from childhood immunizations to HIV/AIDS prevention to occupational safety and health research to infectious disease control and chronic disease prevention. In 2002, CDC will continue its efforts to improve State and local public health capacity to detect and respond to emerging infectious diseases. Fifty-three State health departments will have increased epidemiologic and laboratory capacity, which is an increase from 33 in 1999. CDC will also continue to work to improve its financial management, accounting and budgetary systems so that the total costs of CDC's activities will be presented more accurately and fairly.

Health Research: The National Institutes of Health (NIH) supports and conducts research to gain knowledge to help prevent, detect, diagnose, and treat disease and disability. NIH supports nearly 60,000 awards and contracts to universities, medical schools, and other research and research training facilities while conducting over 1,200 projects in its own laboratories and clinical facilities. In 2002, NIH-supported research will aim to add to the body of knowledge about biological functions, develop new and improved instruments and technologies for use in research and medicine, and develop new or improved approaches to diagnosing and treating diseases and disability. NIH performance goals include:

- Continuing the progress of genome sequencing by completing two-thirds of the human genome sequence with 99.99 percent accuracy by the end of 2002. This goal builds on a recent announcement of the completion of a draft sequence and initial analysis of the human genome. While this draft is extremely useful, the next stage will involve finishing the sequence completely with no gaps and with a 99.99 percent accuracy. Currently about one-third of the sequence is in finished form.

Additionally, progress toward development of a vaccine for HIV/AIDS by 2007 is encouraging. Diverse approaches to HIV vaccine design are being pursued, including refinements in the envelope protein strategy, using other HIV accessory proteins as immunogens, and improved DNA vaccine strategies.

By 2002, NIH funding will have grown by $9.5 billion, or 70 percent, since 1998. NIH is working to meet the management challenges that can arise when an agency receives a substantial infusion of resources over a short period of time. During the 2000 financial audit, for instance, the Inspec-

tor General noted that NIH's decentralized and non-standard accounting processes resulted in numerous errors that were not corrected until several months later, significantly delaying NIH preparation of reliable financial statements. NIH is in the process of identifying strategies and policies that would be implemented in 2002 and 2003 and beyond to maximize budgetary and management flexibility in the future. Such strategies would include funding the total costs of an increasing number of new grants in the grant's first year and supporting some one-time activities such as high-priority construction and renovation projects.

Besides NIH, eight other HHS agencies supported over $1.2 billion of public health, health services and policy research in 2001. In light of the initiative to double funding for NIH, there is an opportunity now to examine the HHS health research portfolio to streamline management of the research agenda, identify any overlap in funding for similar research, and set priorities. Over the coming year, HHS will examine these issues closely and develop recommendations for reforming the Department's health research activities. In particular, HHS will prioritize its research agenda to focus on activities where the Federal mission and interests are clear, and focus less on research that is more traditionally and appropriately supported by universities and other research institutions.

Agency for Healthcare Research and Quality (AHRQ): AHRQ will continue efforts to gather data on the effectiveness and delivery of treatments. In 2002, AHRQ will conduct, support, and disseminate research on the organization, quality, financing, and content of health services. A minimum of 60 projects will be funded that will reduce medical errors and enhance patient safety. Evidence-based Practice Centers will produce a minimum of 18 evidence reports and technology assessments that can serve as the basis for interventions to enhance health outcomes and quality by improving practice.

Office of the Secretary (OS): The OS will take the lead across HHS in ensuring that operations and investments are managed effectively and produce results. Funding for OS will grow by 14 percent in 2002, which will include major, new investments in information technology. The budget supports efforts to streamline HHS' decentralized approach to departmental management with the goal of enhancing coordination, eliminating costly duplication of efforts, and developing unified approaches and measurable outcomes for several of the key management challenges. For example, HHS will move toward a unified financial management system to streamline accounting operations throughout the Department and consolidate Department-level financial reporting. OS will also promote a Department-wide information technology (IT) system design, to find efficiencies in the Department's current internal IT spending base of $1.5 billion. Additionally, HHS will also review opportunities for managing and consolidating similar programs.

Public Health Regulation and Food Safety Inspection: The Food and Drug Administration (FDA) spends over $1.2 billion a year to promote public health by ensuring that foods are safe and wholesome and drugs, biological products, and medical devices are safe and effective. It leads Federal efforts to review new products and ensure that regulations enhance public health without unnecessary burden. The FDA also supports important research and consumer education.

To allow innovative new drugs, medical devices, and other products to be made available to the public more quickly, FDA has set the following performance goals for 2002:

- Review and act on 90 percent of standard original new drug application submissions within 10 months of receipt and 90 percent of priority original new drug application submissions within six months of receipt, while handling a new drug application workload that grows annually; and,
- Complete first action on 90 percent of new medical device applications (known as premarket applications) within 180 days, compared to 74 percent in 1999.

To allow for more thorough inspection of imported foods, FDA has set the following performance goal for 2002:

- Increase the number of import inspections of high-risk foods to 60,000 in 2002.

The Food Safety and Inspection Service (FSIS), in the U.S. Department of Agriculture (USDA), inspects the Nation's meat, poultry, and egg products at over 6,000 establishments nation-wide. In 1996, FSIS began implementing a scientifically-based inspection system (Hazard Analysis and Critical Control Point (HACCP)) that requires meat and poultry plants to implement food safety controls and conduct sanitation and microbiological testing. In addition to in-plant inspection, FSIS conducts foreign and State program reviews, risk assessments, and consumer education to reduce the prevalence of harmful pathogens on U.S. meat and poultry that contribute to foodborne illness. USDA has the following food safety goal:

- In 2002, make continued progress towards the five-year goal of reducing by 50 percent the prevalence of salmonella on certain raw meat and poultry products by 2005.

Workplace Safety and Health

In 2002 the Federal Government will spend over $670 million to promote safe and healthful conditions for over 100 million workers in six million workplaces, primarily through the Department of Labor's Occupational Safety and Health Administration (OSHA) and Mine Safety and Health Administration (MSHA). Through a combination of compliance assistance and targeted enforcement, these agencies protect workers from illness, injury, and death caused by occupational exposure to hazardous substances and conditions. Although occupational fatalities, injuries, and illness are at record-low levels, the Government must maintain its commitment to partner with employers and workers to reduce the over six thousand fatalities and 5.7 million injuries and illnesses that occur annually.

- In 2002, OSHA will: reduce injury and illness rates by 20 percent in at least 100,000 hazardous workplaces where OSHA initiates action; reduce injuries and illnesses by 15 percent at work sites engaged in voluntary, cooperative relationships with OSHA; and initiate an investigation of 95 percent of worker complaints within one working day or conduct an on-site inspection within five working days.
- In 2002, MSHA will reduce fatalities and lost-workday injuries to below the average number recorded for the previous five years.

Federal Employees Health Benefits Program (FEHBP)

Established in 1960 and administered by the Office of Personnel Management, the FEHBP is the largest employer-sponsored health insurance program in the Nation, providing over $20 billion in health care benefits a year to about nine million Federal employees, annuitants, and their families.

FEHBP offers a wide range of health insurance plans that enable employees to choose the benefits package that best suits their particular health care needs and budgets. Because choice and competition are hallmarks of the program, the FEHBP reports one of the highest levels of customer satisfaction of any health care program in the country. About 85 percent of eligible Federal employees participate in the FEHBP.

FEHBP is one part of the Government's total compensation package, and, like other health plans, has seen its costs outpace inflation over the last few years. The Administration will consider the following: options to ensure that the Program offers high quality and cost effective health plans; incentives to Federal employees and annuitants to choose their plans wisely; and coordination of annuitant health benefits with future reforms to Medicare.

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, costing $92 billion in 2002 and $540 billion from 2002 to 2006. In addition, self-employed people may deduct a part (60 percent in 2001, rising to 100 percent in 2003 and beyond) of what they pay for health insurance for themselves and their families. Total health-related tax expenditures, including other provisions, will cost an estimated $109 billion in 2002, and $638 billion from 2002 to 2006.

To encourage private health insurance coverage, the budget includes a new refundable tax credit for individuals and families who are not covered by an employee plan nor eligible for public programs. The budget also includes new tax provisions to reform and permanently extend Medical Savings Accounts (MSAs). The budget proposes to help those with long-term care costs by providing a deduction for long-term care insurance premiums and an additional personal exemption to home caretakers of family members. In addition, the budget would improve flexible spending accounts by allowing up to $500 in unused benefits to be distributed as taxable income rolled over into an MSA, or rolled over into a 401(K) or similar plan.