



DEPARTMENT OF HEALTH AND HUMAN SERVICES

Funding Highlights:

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

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

Improves Health Care Services and Reduces Cost to Taxpayers

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

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

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

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

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

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

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

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

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

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

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

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

Invests in Science for a Healthy Economy

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

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

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

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

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

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

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

Keeps America Healthy

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

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

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

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

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

Provides Services for Vulnerable Populations in a Cost-Effective Way

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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