



DEPARTMENT OF HEALTH AND HUMAN SERVICES

Funding Highlights:

- Provides \$80.1 billion in discretionary funding for the Department of Health and Human Services, \$3.9 billion above the 2012 enacted level. The Budget continues to invest in Administration priorities such as Affordable Care Act implementation, medical research, mental health services, and Head Start. Savings are achieved through difficult trade-offs such as the elimination of the Preventive Health and Health Services Block Grant, and reductions in the Low Income Home Energy Assistance Program and the Community Services Block Grant.
- Supports innovative medical research by providing \$31 billion for the National Institutes of Health, including fulfilling the Administration's commitment to enhancing Alzheimer's research.
- Invests in high-quality care for our youngest children, with \$1.6 billion in increased discretionary funding for Early Head Start and Child Care and additional funds to expand evidence-based, voluntary home visiting.
- Expands mental health services for youth and families with a \$130 million initiative to help teachers and other adults recognize signs of mental illness in young people, provides students with needed services such as counseling to improve mental health services for young people ages 16-25, and trains 5,000 more mental health professionals with a focus on serving students and young adults.
- Supports a nationwide violent death surveillance system and research on the causes and prevention of gun violence with more than \$30 million for the Centers for Disease Control and Prevention.
- Supports implementation of the Affordable Care Act's health insurance coverage improvements through the operation, with States, of Health Insurance Marketplaces (also known as Affordable Insurance Exchanges) and the delivery of premium tax credits and cost sharing assistance to make coverage affordable.
- Strengthens Medicare, Medicaid, and other health programs by implementing payment innovations and other reforms that encourage high-quality and efficient care, improve program integrity, and preserve the fundamental compact with seniors, individuals with disabilities, and low-income Americans these programs represent. These improvements will save approximately \$400 billion over the next decade.
- Improves access to health care services for American Indians and Alaska Natives by funding additional medical services and staff at new facilities.

- Invests over \$3.2 billion, an increase of \$30 million above the 2012 enacted level, in discretionary HIV/AIDS prevention and treatment activities across the Centers for Disease Control and Prevention and Health Resources and Services Administration to expand access to affordable health care, prevention, and treatment services and continue to align activities with the National HIV/AIDS Strategy.
- Bolsters food and medical product safety activities by increasing the Food and Drug Administration's total funding by \$821 million above the 2012 enacted level and supporting an effort to improve food and drug import safety.
- Strengthens national preparedness for threats to public health, including naturally occurring threats and deliberate attacks, through funding the development and acquisition of next generation medical countermeasures against chemical, biological, radiological, and nuclear threats, and pandemic influenza.
- Eliminates the Preventive Health and Health Service Block Grant because some of these activities can be more effectively implemented through targeted programs within the Centers for Disease Control and Prevention.
- Reinforces our Nation's ability to more quickly detect infectious disease outbreaks through a new Advanced Molecular Detection Initiative and maintains strong epidemiologic and laboratory expertise at the Centers for Disease Control and Prevention.
- Improves access to reproductive and primary health care services for nearly five million low-income individuals through a \$327 million investment in family planning.
- Strengthens families by removing financial deterrents to marriage for low-income couples and by modernizing the child support enforcement program to encourage fathers working and engaging with their children.
- Assists vulnerable populations by investing in efforts to reconnect children with family members and supporting the prevention of human trafficking and direct services for domestic victims.
- Targets Low Income Home Energy Assistance Program assistance on the Nation's most vulnerable households with high energy burdens.

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 2014 Budget includes \$80.1 billion to support HHS's mission, \$3.9 billion above the 2012 enacted level. Within this level, the Department is carrying out significant responsibilities such as implementing the Affordable Care Act and strengthening

program integrity across programs. The Budget also invests in early childhood development, biomedical research, mental health services, and health care for American Indians and Alaska Natives. These increases are offset by tough cuts to programs like the Community Services Block Grant and the Preventive Health and Health Services Block Grant.

Improves Health Care Access, Research, and Quality of Services

Drives Down Health Care Costs by Implementing the Affordable Care Act. The Affordable Care Act took historic and significant steps toward putting the Nation back on a sustainable fiscal course while laying the foundation for a higher-quality, more efficient health care system. In its most recent analysis, the Congressional Budget Office estimated that the Affordable Care Act will reduce the deficit by more than \$100 billion over the first decade and by more than \$1 trillion in the second decade. At the same time, the Affordable Care Act has the potential to fundamentally transform our health system into one that delivers better care at lower cost. The Affordable Care Act will also ensure that every American can access high-quality, affordable coverage, providing health insurance to nearly 30 million Americans who would otherwise be uninsured. The Affordable Care Act does this by establishing Health Insurance Marketplaces (also known as Affordable Insurance Exchanges), that act as competitive marketplaces to provide millions of Americans and small businesses with “one-stop shopping” for affordable coverage beginning in 2014. It also provides premium tax credit and cost sharing assistance to make coverage affordable and increased Federal support to States expanding Medicaid coverage for low-income adults. Efficiently and effectively implementing these coverage improvements is one of the Administration’s highest priorities. The Budget provides resources in support of these efforts, including the operations of the Marketplace to help individuals enroll in the best health insurance coverage option for themselves and their families. The Budget proposes small, targeted reductions in select HHS direct health care programs (e.g., immunizations and cancer screenings) because these services will now be financed through expanded insurance coverage and increased reimbursements for safety net providers beginning in 2014. The Budget also supports entities such as Public Health Departments and Community Based Organizations to develop the capacity to bill third party payers for covered

services (e.g., HIV testing, immunizations, and substance abuse treatment).

Supports Biomedical Research at the National Institutes of Health (NIH). Biomedical research contributes to improving the health of the American people, as well as the economy. The Budget includes \$31 billion for NIH to support research on-campus and at academic and independent research institutions across the United States, including delivering on the Administration’s commitment to enhance investment in Alzheimer’s research. Tomorrow’s advances in health care depend on today’s investments in basic research on the fundamental causes and mechanisms of disease, new technologies to accelerate discoveries, advances in translational sciences, and new investigators and new ideas. The Budget will increase focus on research that aims to increase understanding of the brain, improve the clinical trials network, and enhance the development of new therapeutics to treat diseases and disorders that affect millions of Americans. NIH will implement new policies to collect better data on trainees and institutions’ administrative costs.

Improves Mental Health Services. The Budget includes a new \$130 million initiative to expand mental health treatment and prevention services, including: \$55 million for Project AWARE (Advancing Wellness and Resilience in Education) to provide Mental Health “First Aid” training in schools and communities and to help school districts and their communities work together to ensure that students with mental health issues are referred to the services they need; \$50 million to train 5,000 new mental health professionals to serve students and young adults, including social workers, counselors, psychologists, and other mental health professionals; and \$25 million for Healthy Transitions, a new competitive grant to help support transitioning youth (ages 16-25) and their families access and navigate behavioral health treatment systems.

Supports Gun Violence Prevention Research. The Budget includes an additional \$20 million for the National Violent Death

Reporting System to expand the surveillance system to all States in 2014 to improve our understanding of violence. The Budget also includes \$10 million within the Centers for Disease Control and Prevention (CDC) to support research on the causes and prevention of gun violence.

Strengthens the Health Workforce. Strengthening the primary care workforce is critical to reforming America'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, the Budget provides increased resources for primary care training programs and support for health care providers who choose to train and practice in medically-underserved areas. The Budget includes funding that will support over 8,800 health care professionals practicing in underserved areas. In addition, the Budget initiates investments that will help train more than 2,800 additional primary care providers estimated to enter the workforce over the next five years.

Continues Funding for Health Centers. Health centers are a key component of the Nation's health care safety net. To ensure Americans receive comprehensive, high-quality, primary and preventive health care services regardless of their ability to pay, the Budget invests \$3.8 billion for health center services in 2014 to support services to an estimated 22 million patients. The Affordable Care Act provides the Health Center program with a total of \$9.5 billion through 2015. Health centers will continue to be a critical element of the health system, largely because they can provide an accessible and dependable source of primary care services in underserved communities.

Strengthens Primary Care and Reproductive Health Services for Women. The Budget includes \$327 million for the Title X Family Planning program, an increase of \$33 million above the 2012 enacted level, to expand access to primary care and reproductive health

services for low-income women in historically underserved communities.

Maintains Continuity of Coverage for Low-Income Individuals. The Budget continues to fund Transitional Medical Assistance, which provides continued Medicaid eligibility for low-income adults transitioning to work. States that adopt the Affordable Care Act Medicaid expansion will be able to opt out of Transitional Medical Assistance. It also maintains funding for the Qualified Individuals program, which pays Medicare Part B premiums for qualified low-income seniors.

Improves Access to Health Care for American Indians and Alaska Natives (AI/ANs). The Budget includes \$4.4 billion for the Indian Health Service (IHS) to strengthen Federal, tribal, and urban programs that serve over two million AI/ANs at over 650 facilities in 35 States. The Budget provides increased resources to purchase health care services provided outside of the Indian health system when services are not available at IHS-funded facilities. In addition, the Budget funds construction of new and replacement hospitals and health clinics, and staff and operating costs at new and replacement facilities, to increase access to health care services and improve the Indian health system. The Administration has prioritized funding for health care for AI/ANs by proposing increases to the IHS budget of over \$800 million in the last four years, which has led to expanded medical services in Indian Country. These budget increases have enabled Tribes to expand self-determination contracts and compacts and have funded associated administrative costs, known as Contract Support Costs (CSC), which Tribes receive from both IHS and the Bureau of Indian Affairs (BIA).

Funding for CSC is an important part of self-determination, but it must be balanced with funding for health care services. In 2012, the Supreme Court ruled in *Salazar v. Ramah Navajo Chapter* that past appropriations language was not sufficiently constructed to execute the longstanding policy of managing CSC costs. The Court identified five legislative remedies, ranging from

changing payments for CSC through amendments to underlying self-determination authorities, to enacting line-item appropriations for each contract, to appropriating the full estimates for CSC. Consistent with the Supreme Court ruling, the Budget proposes a new approach for CSC, along with a funding increase, for IHS and BIA to continue the policy of supporting self-determination while protecting funding for health care services for AI/ANs. The Administration looks forward to working with the Tribes and the Congress to develop a balanced, long-term solution.

Expands Access to HIV/AIDS 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 to reduce HIV incidence, increase access to care and optimizing health outcomes for people living with HIV, and reduce HIV-related health disparities. By providing resources for the Affordable Care Act implementation, the Budget will support increased health care coverage for thousands of people living with HIV/AIDS. The Budget increases funding for the Ryan White HIV/AIDS program by \$20 million, including an additional \$10 million for the AIDS Drug Assistance Program to ensure that individuals living with HIV can access their medications, and an additional \$10 million for HIV medical clinics to expand access to care and improve systems for connecting individuals to care and retain them in care over time. The Budget includes an increase of \$10 million for CDC HIV/AIDS prevention activities to expand surveillance activities and improve timeliness of data. The Budget also redirects \$40 million from less effective activities to support a new \$40 million initiative to improve systems that link persons recently diagnosed with HIV to care.

Strengthens the Safety of U.S. Food and Medicines. The Budget includes \$2.6 billion in budget authority and \$4.7 billion in total program resources for the Food and Drug Administration (FDA). It includes \$10 million in new resources to improve the safety of food and medical product imports to the United States through a greater FDA presence in foreign countries such as China.

The Budget includes new user fee programs to support implementation of key elements of the Food Safety Modernization Act. To better protect public health in response to natural or intentional threats, the Budget 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.

Strengthens National Preparedness for All Hazards, Including Naturally Occurring Threats and Intentional Attacks. The Budget includes \$415 million to enhance the advanced development of next generation medical counter-measures against chemical, biological, radiological, and nuclear threats, including resources to establish the Strategic Investor, an independent venture capital entity in the Office of the Assistant Secretary for Preparedness and Response. The Budget continues funding for both the NIH Concept Acceleration Program to assist investigators with developing promising new countermeasures, and the FDA's Medical Countermeasures Regulatory Science Initiatives. The Budget also provides \$250 million to replenish the BioShield Special Reserve Fund, to provide resources through annual appropriations, renewing the Government's long-term commitment to the acquisition of new medical countermeasures against chemical, biological, nuclear and radiological threats. To further support this long-term commitment, the Budget provides a new, flexible contracting authority. HHS has invested over \$10 billion since 2005 to enhance America's ability to rapidly respond to an influenza pandemic. The Budget provides an additional \$140 million to continue support for these high-priority activities, including the licensure of influenza vaccines that provide the same protection with a smaller dose, and to support international vaccine production capacity.

Bolsters Effective Prevention and Public Health Programs. The Budget invests \$40 million for a new Advanced Molecular Detection initiative (AMD) to allow CDC to more quickly determine where emerging diseases come from, whether microbes are resistant to antibiotics, and

how microbes are moving through a population. The AMD initiative will strengthen CDC's epidemiologic and laboratory expertise to effectively guide public health action. The Budget strengthens core public health programs at CDC through an increase of \$12 million to reduce health care associated infections in more than 1,800 additional facilities and an increase of \$16 million to implement the Food Safety Modernization Act, integrate and enhance national food safety surveillance systems, and improve the ability to attribute illnesses to specific foods. The Budget focuses on detection and elimination of infectious diseases globally through an increase of \$15 million to end wild polio virus transmission by the end of 2014. The Budget also allocates the Prevention and Public Health Fund to improve health outcomes through effective public health prevention programs across the United States.

Invests in Behavioral Health Prevention and Treatment. The Budget includes \$3.6 billion for the Substance Abuse and Mental Health Services Administration to support the Nation's behavioral health prevention and treatment infrastructure. The Budget maintains the Community Mental Health Services Block Grant and increases the Substance Abuse Prevention and Treatment Block Grant to support States in an effective transition in the first year of the Affordable Care Act that will include expanded coverage for mental health and substance abuse treatment services. The Budget also proposes funding within the Block Grants to encourage States to build provider capacity to bill public and private insurance and to promote the adoption of evidence-based programs.

Invests in Electronic Health Records. The number of health care providers adopting electronic health records (EHRs) is growing rapidly. According to the CDC's National Center for Health Statistics, the percentage of office-based physicians that use an EHR increased from 48 percent in 2009 to 72 percent in 2012. With EHR adoption rising, it is increasingly important that health information technology (IT) investments aim to advance EHR standards, program integrity, and technology to support interoperable

exchange of health data. Furthermore, exchange of health data with appropriate privacy protections, will support new payment and delivery models designed to create value based on quality instead of volume. The Budget provides \$26 million for the Office of the National Coordinator for Health IT to support work to advance EHR technology and standards.

Accelerates the Issuance of State Innovation Waivers. The Budget empowers States to develop their own innovation strategies to ensure their residents have access to high-quality, affordable health insurance, achieving the same outcomes as those achieved through the Affordable Care Act. Similar to legislation previously introduced in the Senate and endorsed by the President, the Budget proposes to make "State Innovation Waivers" available starting in 2014, three years earlier than under current law. These State strategies would provide affordable insurance coverage to at least as many residents as would have been covered without the waiver and must not increase the Federal deficit. The Administration is committed to the budget neutrality of these waivers.

Improves Conditions for Vulnerable Populations

Invests in High-Quality Infant and Toddler Care. Research has shown that effective early childhood programs help children succeed in school and beyond. Increasing Federal investments in high-quality early education is a key part of a broader education agenda that will strengthen the Nation's competitiveness and help every child reach his or her potential. The Budget invests \$1.4 billion in new Early Head Start-Child Care Partnerships to support States and communities in expanding the availability of high-quality learning opportunities for our youngest children. The Budget also provides an additional \$200 million for States to support high-quality child care in 2014 and \$7 billion over the next 10 years to maintain the availability of child care subsidies. In addition, the Budget invests \$15 billion over the next 10 years to extend

and expand evidence-based, voluntary home visiting. These investments will be paired with a new initiative in the Department of Education to expand preschool to all low- and moderate-income four-year-olds.

Promotes Responsible Fatherhood and Strong Families. The Budget proposes policy changes to modernize the Child Support Enforcement Program, which touches the lives of one-quarter of the Nation's children. These policy changes will encourage non-custodial parents to take greater responsibility for their children while maintaining rigorous enforcement efforts. The Budget supports States in providing access and visitation services that can improve a non-custodial parent's relationship with his or her family and increases support for States that pass child support payments through to families rather than retaining them. The program will continue to evaluate the effectiveness of providing employment services aimed at increasing child support payments from non-custodial parents. In addition, the Budget provides \$35 million for States to test strategies to overcome financial deterrents to marriage.

Provides Services for Vulnerable Populations. The Administration continues to support flexible funding through waivers that allow States to test innovative approaches to child welfare service delivery and financing, which may help shape future reforms. The Budget provides \$45 million over three years to reauthorize grants that help children reconnect with family members. The Budget also includes \$10 million for a new initiative to prevent and address domestic human trafficking. This initiative will provide direct services to domestic victims of trafficking, train service providers, and invest in data collection, research, and evaluation.

Provides Targeted Energy Assistance to Low-Income Families. The Budget provides \$3 billion for the Low Income Home Energy Assistance Program (LIHEAP) to help struggling families with residential heating and cooling expenses. The Budget targets funds to States with vulnerable households facing high home heating

costs. The Budget includes \$50 million for competitive grants to help reduce energy burdens for LIHEAP households that rely on persistently high-cost systems.

Cuts and Reforms the Community Services Block Grant (CSBG). CSBG provides funding for the important work of community action agencies, but the program's current structure does too little to hold these agencies accountable for outcomes. The Budget provides \$350 million for CSBG and proposes to use competition to target the funds to high-performing agencies that are most successful in meeting important community needs.

Improves the Way Federal Dollars are Spent and Strengthens Long-Term Viability of Current Programs

Reduces Waste, Fraud, and Abuse in Medicare, Medicaid, and the Children's Health Insurance Program (CHIP). Progress has been made in reducing the Medicare fee-for-service improper payment rate and in implementing the Affordable Care Act's anti-fraud provisions. The Budget builds on this progress through a robust set of proposals to strengthen Medicare, Medicaid, and CHIP program integrity. The Budget proposes \$640 million in combined mandatory and discretionary program integrity funding to implement activities that reduce payment error rates, prevent fraud and abuse, target high-risk services and supplies, and enhance civil and criminal enforcement for Medicare, Medicaid, and CHIP. For example, the Budget proposes to authorize civil monetary penalties or other intermediate sanctions for providers who do not update enrollment records and permit exclusion of individuals affiliated with entities sanctioned for fraudulent or other prohibited actions from Federal health care programs. The Budget also expands authorities to investigate and prosecute allegations of abuse or neglect of Medicaid beneficiaries in additional health care settings and affirms Medicaid's position as a payer of last resort when another entity is legally liable to pay claims for beneficiaries. These new resources and

authorities will better enable the Administration to minimize improper payments and provide greater value for program expenditures to beneficiaries and taxpayers.

Supports Permanent, Fiscally Responsible Reform to Medicare's Payments to Physicians. Medicare payments to physicians are determined under a formula, commonly referred to as the "sustainable growth rate" (SGR). This formula has called for reductions in physician payment rates since 2002, which the Congress has consistently overridden for over 10 years. Under the SGR, physician payment rates would be reduced by about 25 percent in 2014. The Administration is committed to working with the Congress to reform Medicare physician payments to provide predictable payments that incentivize quality and efficiency in a fiscally responsible way. Failing to address this issue creates uncertainty about beneficiaries' access to care. The Administration supports a period of payment stability lasting several years to allow time for the continued development of scalable accountable payment models. Such models can take different forms, but all will have several common attributes such as encouraging care coordination, rewarding practitioners who provide high-quality, efficient care, and holding practitioners accountable through the application of financial risk for consistently providing low quality care at excessive costs. HHS will welcome input from physicians and other professionals in designing these models. Following the period of stability, practitioners will be encouraged to partner with Medicare by participating in an accountable payment model, and over time, the payment update for physician's services would be linked to such participation. Those that successfully participate could receive larger payments under Medicare, while those who provide lower quality, inefficient care would receive lower payments. To complement these changes, the Administration also supports immediate reforms to improve the accuracy of Medicare's current physician payment system.

Improves Medicare's Sustainability by Encouraging High-Quality, Efficient Care. The Budget contains proposals that build on initiatives included in the Affordable Care Act to help extend Medicare's solvency while encouraging provider efficiencies and improved patient care. Specifically, the Budget modifies payments to certain providers to address payments that exceed patient care costs. For example, the Budget proposes to align Medicare payments for drugs with Medicaid rebate policies for low-income beneficiaries. It continues to crack down on fraud, proposing among other policies greater scrutiny over payment for power wheelchairs, and it incentivizes skilled nursing homes to prevent hospital readmissions. These, along with other Medicare proposals, would extend the solvency of the Hospital Insurance Trust Fund by approximately four more years.

Encourages Beneficiaries to Seek High-Value Services. The Budget includes structural changes that will help encourage Medicare beneficiaries to seek high-value health care services. To help improve the financial stability of the Medicare program, the Budget reduces the Federal subsidy of Medicare costs for those beneficiaries who can most afford them, and also introduces a modified Part B deductible for new beneficiaries beginning in 2017. To encourage appropriate use of home health services that are not preceded by inpatient care, new beneficiaries beginning in 2017 would be responsible for a modest copayment for home health services in certain cases. Research indicates that beneficiaries with Medigap plans that provide first dollar or near-first dollar coverage have less incentive to consider the costs of health care services, thus raising Medicare costs and Part B premiums for all beneficiaries. The Budget applies a premium surcharge for new beneficiaries beginning in 2017 if they choose such Medigap coverage. In addition, the Budget alters prescription cost-sharing levels to encourage low-income beneficiaries to choose generic medications when clinically appropriate.

Streamlines Systems and Lowers Drug Costs for Medicare Beneficiaries. The Budget proposes to implement a streamlined, single beneficiary appeals process for managed care plans that integrate Medicare and Medicaid payment and services and serve Medicare-Medicaid enrollees to address the sometimes conflicting requirements in each program. The Budget also proposes to permanently authorize a demonstration that provides retroactive drug coverage for certain low-income Medicare beneficiaries through a single plan, establishing a single point of contact for beneficiaries seeking reimbursement for claims. In addition, the Budget proposes to close the donut hole in the Part D benefit by 2015, rather than 2020, for brand drugs by increasing the discounts offered by the pharmaceutical industry.

Enhances Accountability in the Medicaid Program. Medicaid is critically important to providing health care coverage to the neediest Americans, and the Administration strongly

supports State efforts to expand Medicaid with the increased Federal funding provided in the Affordable Care Act. The Budget seeks to preserve the existing partnership between States and the Federal Government while making Medicaid more efficient and sustainable through sensible, targeted, Medicaid reforms. For example, the Budget helps States and the Federal Government leverage more efficient reimbursement rates for durable medical equipment based on Medicare rates. The Budget also better aligns Medicaid Disproportionate Share Hospital (DSH) payments with expected levels of uncompensated care by beginning the scheduled reductions in 2015, and bases future State DSH allotments on States' actual DSH allotments as reduced by the Affordable Care Act. In addition, the Budget would improve rebate and payment policies for Medicaid prescription drugs. These proposals are projected to save approximately \$16.9 billion over 10 years.