



## DEPARTMENT OF HEALTH AND HUMAN SERVICES

### **Funding Highlights:**

- Provides \$76.4 billion, or \$0.3 billion above the 2012 funding level. The Budget maintains investments in Administration priorities such as Affordable Care Act implementation and Head Start. Savings are achieved through difficult trade-offs, such as the consolidation of environmental health and substance abuse prevention grant programs.
- Supports innovative medical research by maintaining funding for the National Institutes of Health at \$31 billion while implementing new grant management policies to increase the number of new research grants awarded and continue to focus resources for first-time grantees.
- Consolidates funding for disease-specific chronic diseases with common risk factors into a comprehensive program to improve public health outcomes for the leading chronic disease causes of death and disability and enhance efficiency.
- Eliminates the Preventive Health and Health Service Block Grant because the activities it supports can be more effectively implemented through the Consolidated Chronic Disease Program and Prevention and Public Health Fund investments.
- Supports implementation of the Affordable Care Act's health insurance coverage improvements in 2014 by helping States establish Affordable Insurance Exchanges and developing the infrastructure to provide cost sharing and premium 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 \$364 billion over the next decade.
- Accelerates research on the discovery and development of new therapeutic interventions through the National Center for Advancing Translational Sciences.
- Improves access to health care services for American Indians and Alaska Natives.

- Invests approximately \$3.3 billion for discretionary HIV/AIDS prevention and treatment activities across the Department to expand access to affordable health care, prevention, and treatment services and align activities with the National HIV/AIDS Strategy.
- Bolsters food and medical product safety activities by increasing the Food and Drug Administration's total resources by \$654 million above the 2012 level and supports a new effort to improve food and drug import safety.
- Strengthens national preparedness for all threats to public health, including naturally occurring threats and deliberate attacks, through funding the advanced development of next generation medical countermeasures against chemical, biological, radiological, nuclear threats, and pandemic influenza.
- Invests in high-quality early childhood programs, with increased funding in Child Care and Head Start to improve outcomes for America's children and prepare them for the future. To make sure that every Head Start dollar is used to provide high quality services, the Budget also supports the implementation of new regulations to strengthen Head Start by requiring low-performing grantees to compete for continued funding.
- Supports the President's fatherhood agenda by modernizing the child support program to promote stronger family relationships and increase the payment of child support.
- Adjusts the Low Income Home Energy Assistance Program to reflect rising winter costs, particularly in areas of the country that rely on heating oil.
- Reforms foster care to improve outcomes for children including promoting their social and emotional well-being.

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 \$76.4 billion to support HHS's mission. Within this level, the Department is carrying out significant responsibilities such as implementing the Affordable Care Act and strengthening program integrity across major entitlement programs. The Budget also invests in Head Start and health care services for American Indians and Alaska Natives. These increases are offset by tough cuts to worthy programs like the Community Services Block Grant as well as through new grants management policies at the National Institutes of Health (NIH) and the consolidation of various public health funding streams.

### ***Improves Health Care Access and Quality of Service***

**Implements the Affordable Care Act.** The Affordable Care Act (ACA) will ensure that every American can access high-quality, affordable coverage, providing health insurance to 34 million Americans who would otherwise be uninsured. The ACA does this by establishing State-based Affordable Insurance Exchanges, competitive marketplaces that will provide millions of Americans and small businesses with "one-stop shopping" for affordable coverage beginning in 2014. It also provides premium assistance to make coverage affordable for low-income Americans. Efficiently and effectively implementing these coverage expansions is one of the Administration's highest priorities. The Budget provides resources in support of these efforts, such as building capacity and

creating infrastructure to establish exchanges, including the Federally-facilitated Exchange, and develops systems to help individuals enroll in the right health insurance coverage option.

**Accelerates the Issuance of State Innovation Waivers.** This proposal 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 the ACA. Similar to legislation previously introduced in the Senate and endorsed by the President, it would make “State Innovation Waivers” available starting in 2014, three years earlier than under current law. These State strategies would need to provide affordable insurance coverage to at least as many residents as those without the waiver and must not increase the federal deficit. The Administration is committed to the budget neutrality of these waivers.

**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 Administration provides increased resources for primary care training programs and support for health care providers who choose to train and practice in medically underserved areas. In total, 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. These clinics offer comprehensive, high quality, primary and preventive health care services to all Americans regardless of their ability to pay. Health centers will continue to be a critical element of the health system as the United States expands insurance coverage through the ACA, largely because they can provide an accessible and dependable source

of primary care services in underserved communities. The ACA provides the Health Center Program with \$7.3 billion over the 2013–2015 period. These resources complement the funding that the program receives annually through the discretionary appropriations process. To ensure that health centers continue to provide critical access and services to millions of Americans in 2013 and for many years to come, the Budget promotes a policy of steady and sustainable health center growth by distributing ACA resources over the long term, including in years after 2015. This policy safeguards resources for existing health centers to continue services and avoids the funding shortfall that would otherwise occur when the ACA funding ends in 2015. In addition, the Budget provides sufficient funding to open new health centers in areas in the country where they do not currently exist, through 2015 and beyond. In total, the Budget invests \$3.1 billion for health center services in 2013 to support the creation of more than 25 new health center sites across the country. In 2013, health centers are estimated to serve nearly 21 million patients.

**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. It also maintains funding for the qualified individuals program, which pays Medicare Part B premiums for qualified low-income seniors.

**Supports Biomedical Research at 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 country. 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, advancing translational sciences, and encouraging new investigators and new ideas. In 2013, NIH will implement new grants management policies to increase the number of new research grants

awarded and continue to focus on resources for new investigators.

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

The Budget includes \$5.5 billion for the Indian Health Service (IHS) to strengthen Federal, tribal, and urban programs that serve two million AI/ANS at over 650 facilities in 35 States. The Budget provides increased resources for contract Health Services 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 hospitals and health clinics and staff and operating costs at new facilities to increase access to health care services and improve the Indian health system.

**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; increases access to care and optimizing health outcomes for people living with HIV; and reduces HIV-related health disparities. The Budget includes \$2.4 billion, an increase of \$75 million, for the Health Resources and Services Administration's Ryan White program to expand access to care for persons living with HIV/AIDS who are otherwise unable to afford health care and related support services. The Budget also includes \$1 billion for the AIDS Drug Assistance Program (ADAP), an increase of \$67 million, to expand access to lifesaving HIV-related medications for uninsured and underinsured individuals living with HIV/AIDS and help distressed State ADAP programs eliminate waiting lists. The Budget includes an increase of \$30 million for Centers for Disease Control and Prevention (CDC) HIV/AIDS prevention activities. The Budget also allows CDC and States to transfer up to 10 percent of total funding across HIV/AIDS, tuberculosis, sexually transmitted diseases, and hepatitis programs to improve coordination and integration.

**Strengthens the Safety of U.S. Food and Medicines.**

The Budget includes \$2.5 billion in

budget authority and \$4.5 billion in total program resources for the Food and Drug Administration (FDA). This includes \$10 million in new resources to improve food safety and medical product imports to the United States through a greater FDA presence in foreign countries such as China. The Budget also includes new user fee programs to support implementation of key elements of the Food Safety Modernization Act, and to bring more safe, effective, and affordable generic drugs and generic biologics, also known as biosimilars, to the American public. To better protect public health in response to natural or intentional threats, the Administration 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 \$547 million to enhance the advanced development of next generation medical countermeasures against chemical, biological, radiological and nuclear threats. In addition, the Budget includes \$50 million to establish the Strategic Investor, an independent venture capital entity in the Office of the Assistant Secretary for Preparedness and Response, and continues funding for the NIH Concept Acceleration Program to assist investigators with developing promising new countermeasures, and the FDA's Medical Countermeasures Regulatory Science Initiatives. The Department has invested \$6.9 billion since 2005 to enhance America's ability to rapidly respond to an influenza pandemic. In 2013, HHS plans to use remaining pandemic influenza resources to support the new U.S.-based advanced development and manufacturing facilities for vaccines and other biologics.

**Targets Funding for Mental Health and Substance Abuse Prevention Efforts.**

Within the Substance Abuse and Mental Health Services Administration (SAMHSA), the Budget requests \$460 million for prevention services targeting early risk factors that can improve behavioral health outcomes for children and young adults.

The Budget proposes to merge SAMHSA prevention programs to enhance efficiency and improve efforts to prevent substance abuse and mental health disorders. The Budget also includes \$140 million for behavioral health supportive services for homeless individuals and for families with mental and substance abuse disorders, to help them transition into permanent supportive housing.

### ***Makes Tough Choices While Continuing to Serve Vulnerable Populations***

**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 and proposes to use competition to target the funds to high-performing agencies that are most successful in meeting important community needs.

**Continues Strong Support for High-Quality Early Childhood Programs.** 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 includes over \$8 billion for Head Start and Early Head Start to serve approximately 962,000 children and families, maintaining the historic expansion undertaken in 2009–2010. The Budget supports the implementation of new regulations to strengthen Head Start by requiring low-performing grantees to compete for continued funding for the first time in the program's history. The Budget also includes an additional \$7 billion over the next 10 years to support low-income children with child care subsidies. Finally, the Budget supports critical reforms to the Child Care Development Block Grant and provides an additional \$300 million for States to improve child care quality, and ultimately help children succeed in school.

**Supports Responsible Fatherhood.** The Budget modernizes the child support program, which touches the lives of more than half of poor children as well as many middle-class families. These policy changes, which will encourage fathers to take responsibility for their children include: increasing financial support for States that pass through child support payments to families rather than retaining them; ending the Federal expectation of reimbursement for payments that are distributed to families receiving assistance through the Temporary Assistance for Needy Families program; and encouraging States to provide access and visitation services that can improve a father's relationship with his family.

**Adjusts LIHEAP for Rising Winter Fuel Costs.** The President's Budget provides \$3 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. While the costs of fuels used by most LIHEAP households remain low, the price of heating oil has been on the rise. In response, the Budget provides an additional \$450 million over the 2012 request, and targets funds to States with vulnerable households facing high home heating costs for winter 2012–2013.

**Reforms Foster Care to Improve Outcomes for Abused and Neglected Children.** The Administration proposes \$2.5 billion over 10 years in new mandatory funding for incentive payments to States that demonstrate real, meaningful improvements on measures of child outcomes, including child abuse and neglect, and service quality. These incentives would help States finance innovative services and encourage continuous improvement in the foster care system.

### ***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).** Significant progress has been made in achieving the President's

goal of reducing the Medicare fee-for-service improper payment rate in half by 2012 and in implementing the ACA'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 invests \$610 million in 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 permits exclusion of individuals affiliated with entities sanctioned for fraudulent or other prohibited actions from Federal health care programs. The Budget also 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 nearly 10 years. Under the SGR, physician payment rates would be reduced by nearly 28 percent later this year. The Administration is committed to working with the Congress to fix the SGR, providing predictable Medicare physician payments that incentivize quality and efficiency in a fiscally responsible way. Failing to do so masks the long-run deficit.

**Improves Medicare's and Medicaid's Sustainability by Encouraging High-Quality, Efficient Care.** The Budget contains several proposals that build on initiatives included in the ACA 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. It also reduces Medicare's payments to providers for beneficiaries' non-payment of their deductibles and copayments. The Budget also aligns Medicare drug payment policies with Medicaid policies for low-income beneficiaries. These, along with other Medicare proposals, would extend the solvency of the Hospital Insurance trust fund for an estimated two 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, it strengthens the Independent Payment Advisory Board to reduce long-term drivers of Medicare cost growth.

**Establishes a More Flexible and Accountable Medicaid Program.** Medicaid is critically important to providing health care to the poorest in our country, including children, seniors, and individuals with disabilities. The Administration opposes efforts to turn it into a block grant and slash its funding. Instead, the Budget seeks to make Medicaid more efficient by streamlining financing and reimbursement policies. Specifically, the Budget proposes to reduce the Medicaid provider tax threshold beginning in 2015 to promote integrity of Federal-State financing. The

Administration also proposes a single blended matching rate for Medicaid and CHIP spending to replace the current complicated patchwork of matching formulas starting in 2017. In addition, the Budget would implement more efficient reimbursement rates for durable medical equipment based on Medicare rates. Finally, the Budget better aligns Medicaid supplemental hospital payments by rebasing Disproportionate Share Hospital allotments in 2021. These Medicaid proposals are projected to save approximately \$51 billion over 10 years.

**Prioritizes Effective Prevention and Public Health Programs.** The Budget promotes wellness and focuses on reducing the national burden of chronic disease by allocating \$1.25 billion from the Prevention and Public Health Fund (Fund) for activities to help improve health outcomes and reduce health care costs, such as immunizations, and activities to reduce health-care associated infections. The Fund was authorized and funded by the ACA. The Budget also proposes a new lab consolidation program to region-

alize our public health lab system and produce long-term cost savings by improving efficiencies across labs. The Budget includes \$39 million for CDC activities to reduce health care associated infections (HAIS) and expand reporting of HAIS in hospitals and nursing homes. The Budget also includes a Comprehensive Chronic Disease Prevention Program that combines select chronic disease programs into one main program. This will provide States with additional flexibility to address the leading causes of chronic disease and disability, while increasing accountability and improving health outcomes through performance incentives. CDC’s Consolidated Chronic Disease Program along with investments from the Prevention Public Health Fund, will also support some of the activities previously funded through the Preventive Health and Health Services Block Grant. The Budget includes an increase of \$15 million to eradicate polio within India and reduce transmission of the wild polio virus in Pakistan, Afghanistan and Nigeria by the end of 2013.

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

|   | Actual<br>2011 | Estimate |        |
|---|----------------|----------|--------|
|   |                | 2012     | 2013   |
| <b>Spending</b>   |                |          |        |
| Discretionary Budget Authority:                                     |                |          |        |
| Food and Drug Administration <sup>1</sup> .....                     | 2,403          | 2,506    | 2,517  |
| <i>Program Level (non-add)</i> .....                                | 3,636          | 3,832    | 4,486  |
| Health Resources and Services Administration.....                   | 6,284          | 6,228    | 6,088  |
| Indian Health Service.....  | 4,069          | 4,307    | 4,422  |
| Centers for Disease Control and Prevention.....                     | 5,726          | 5,732    | 5,068  |
| National Institutes of Health.....                                  | 30,470         | 30,702   | 30,702 |
| Substance Abuse and Mental Health Services Administration.....      | 3,380          | 3,347    | 3,152  |
| <i>Agency for Healthcare Research and Quality</i>                   |                |          |        |
| <i>Program Level (non-add)</i> .....                                | 392            | 405      | 409    |
| Centers for Medicare and Medicaid Services (CMS) <sup>2</sup> ..... | 3,537          | 3,828    | 4,821  |
| Discretionary Health Care Fraud and Abuse Control.....              | 310            | 311      | 311    |

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

|   | Actual<br>2011 | Estimate |         |
|---|----------------|----------|---------|
|   |                | 2012     | 2013    |
| Administration on Children and Families (ACF) <sup>3</sup> .....                              | 17,210         | 16,489   | 16,194  |
| Administration on Aging .....   | 1,497          | 1,471    | 1,978   |
| General Departmental Management .....   | 655            | 474      | 306     |
| Office of Civil Rights.....   | 41             | 41       | 39      |
| Office of the National Coordinator for Health Information Technology .....                    | 42             | 16       | 26      |
| <i>Program Level (non-add)</i> .....  | 61             | 61       | 66      |
| Office of Medicare Hearing and Appeals .....  | 70             | 72       | 84      |
| Public Health and Social Services Emergency Fund.....   | 675            | 568      | 642     |
| Office of Inspector General .....   | 50             | 50       | 59      |
| All other.....  | 51             | 43       | 37      |
| Subtotal, Discretionary budget authority <sup>4</sup> .....                                   | 76,472         | 76,186   | 76,446  |
| Discretionary Changes in Mandatory Programs ( <i>non-add in 2012</i> ): <sup>5</sup>          |                |          |         |
| Children's Health Insurance Program Reauthorization Act of 2009—<br>Performance Bonuses ..... |                | -6,368   | -6,706  |
| Consumer Operated and Oriented Plan (CO-OP) Program .....                                     |                | -400     | —       |
| High Risk Pool .....  |                | 44       | —       |
| ACF .....   |                | —        | -13     |
| Subtotal, Discretionary changes in mandatory programs .....                                   |                | -6,724   | -6,719  |
| Total, Discretionary budget authority .....   | 76,472         | 76,186   | 69,727  |
| Discretionary Cap Adjustment: <sup>6</sup>  |                |          |         |
| Program Integrity .....   | —              | 270      | 299     |
| Rescission of Balances of Funds Provided by P.L. 111-32 .....                                 | -1,259         | —        | —       |
| Total, Discretionary outlays <sup>2</sup> .....   | 86,528         | 84,160   | 80,605  |
| Mandatory Outlays:  |                |          |         |
| Medicare  |                |          |         |
| Baseline Outlays <sup>7</sup> .....   | 480,202        | 479,338  | 528,556 |
| Legislative proposal .....  |                | 215      | -4,807  |
| Medicaid and Children's Health Insurance Program (CHIP)                                       |                |          |         |
| Existing law .....  | 283,597        | 265,011  | 292,856 |
| Legislative proposal .....  |                | 155      | 190     |
| All other <sup>8</sup> .....  |                |          |         |
| Existing law .....  | 41,007         | 43,057   | 42,901  |
| Legislative proposal .....  |                | 1        | 639     |
| Total, Mandatory outlays .....  | 804,806        | 787,777  | 860,335 |



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

|  | Actual<br>2011 | Estimate |         |
|--|----------------|----------|---------|
|  |                | 2012     | 2013    |
| Total, Outlays .....   | 891,334        | 871,937  | 940,940 |
| <b>Credit activity</b>                                       |                |          |         |
| Direct Loan Disbursements:                                   |                |          |         |
| CO-OP Financing.....   | —              | 225      | 1,844   |
| Total, Direct loan disbursements.....                        |                | 225      | 1,844   |
| Guaranteed Loan Disbursements by Private Lenders:            |                |          |         |
| Health Center Guaranteed Loan Finance .....                  | 25             | 13       | 10      |
| Total, Guaranteed loan disbursements by private lenders..... | 25             | 13       | 10      |

<sup>1</sup> FDA budget authority reported to Treasury for 2011 is \$54 million lower than actual available budget authority due to the timing of FDA user fee collections.

<sup>2</sup> The CMS budget authority and outlay total for 2011 includes approximately \$129 million that is misclassified as discretionary rather than mandatory.

<sup>3</sup> ACF's BA as displayed here in 2013 is \$13 million higher than the actual BA, reflecting the repurposing of \$13 million in Abstinence Education Funds, displayed here as a discretionary change in a mandatory program (CHIMP).

<sup>4</sup> Amounts, approximately \$2 billion each year, 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.

<sup>5</sup> The 2012 amounts reflect OMB's scoring of the 2012 Appropriations acts (P.L. 112-55 and 112-74) as transmitted to the Congress. These amounts are displayed as non-add entries because they have been rebased as mandatory and are not included in any 2012 discretionary levels in the 2013 Budget.

<sup>6</sup> The Balanced Budget and Emergency Deficit Control Act of 1985 (BBEDCA), as amended by the Budget Control Act of 2011, limits—or caps—budget authority available for discretionary programs each year through 2021. Section 251(b)(2) of BBEDCA authorizes certain adjustments to the caps after the enactment of appropriations. Amounts in 2011 are not so designated but are shown for comparability purposes.

<sup>7</sup> Includes \$280 million in 2011, \$1,501 million in 2011, and \$368 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.

<sup>8</sup> Funding for the Centers for Medicare and Medicaid Innovation is included with all other mandatory outlays.

