

US Department of Health and Human Services FY 2008 Budget Highlights

Department of Health and Human Services

The President's FY 2008 budget for HHS calls for \$698 billion which is the same level he requested for FY07. Since the final FY07 level is not yet enacted, the Administration calls their number an increase of \$95 million over the Continuing Resolution for FY 2007. However, it is likely to be a decrease of approximately \$711 million from the final spending level FY07.

Medicare

The Administration is proposing "a comprehensive package of Medicare legislative and administrative proposals designed to strengthen the long-term financial security of the program." The budget calls "constraining Medicare spending" a key factor in slowing the growth in entitlement spending. Net savings from the Medicare legislative package total \$4.3 billion in FY 2008 and \$65.6 billion over five years. Administrative savings total \$1.0 billion in FY 2008 and \$10.2 billion over five years. Not surprisingly, most of these savings come from cutting payments to hospitals and other providers.

Further, The President's budget includes a proposal that would trigger automatic cuts in Medicare if the Medicare Modernization Act's threshold (when general revenue Medicare funding is projected to exceed 45 percent of Medicare's total spending) is exceeded. The cuts would begin as a four-tenths of one percent reduction to all payments to providers in the year that the threshold is exceeded, and would grow by four-tenths of one percent every year the shortfall continues

Medicare Part B Premiums

The President's budget calls for expanding the number of people affected by income-related Medicare Part B premiums and for applying income-related premiums to the Medicare drug benefit. Currently, beneficiaries with incomes above \$80,000 a year pay an additional income-related Part B premium. The income threshold is indexed to inflation. The President's budget eliminates the indexing so that more seniors will be affected by the higher premium every year. The budget uses the same income thresholds to establish income-related premiums for the Medicare prescription drug benefit.

Medicaid

According a House Budget Committee analysis, the President's "budget makes gross legislative cuts to Medicaid of \$12.0 billion over five years (\$29 billion over ten years) and imposes another \$12.7 billion in cuts through regulatory changes over five years, for total gross cuts of \$24.7 billion over five years. The budget includes \$1.1 billion in Medicaid costs over five years, for a net effect of \$23.6 billion in Medicaid legislative and regulatory cuts."

SCHIP

The President's budget calls for reauthorizing the State Children's Health Insurance Program (SCHIP) program to restrict it to children at or below 200% of poverty. It requests "approximately \$5 billion over 5 years for additional allotment funds." However, the House Budget Committee staff indicates that this is less than is needed to maintain benefits for those now covered by SCHIP.

Access to Health Care

The President's budget continues the themes from his recent State of the Union address, including tax incentives to promote private market health insurance. The President is calling for reforming the health care marketplace with a federal tax deduction of \$7,500 for individuals and \$15,000 for families who obtain health insurance on their own or through an employer. The tax deduction would be available to all individuals and families who purchase health insurance, regardless of the value of their policies or whether they itemize deductions on their tax returns. The proposal would pose no net cost to the government over 10 years, according to the administration. However, Senate Budget Committee analysts indicate that the net cost of the proposal, including outlay effects, would be \$135.5 billion over five years and \$32.7 billion over ten years.

Health Information Technology

The FY08 budget requests \$118 million for the Office of the National Coordinator for Health Information Technology to continue efforts toward achieving the President's goal for most Americans to have secure personal electronic health records by 2014. In addition, the Budget for the Agency for Healthcare Research and Quality (AHRQ) includes \$45 million for health IT investments designed to enhance patient safety, with an emphasis on ambulatory patient care.

Pandemic Flu

The budget includes \$870 million to allow HHS to continue the pandemic preparedness efforts, with a focus on achieving vaccine production capacity and purchasing H5N1 vaccine. These funds will also be used to meet our Federal antiviral purchase goals, as well as for the continued development of rapid diagnostics. In addition, the Budget includes \$322 million to fund ongoing activities within the CDC, FDA, NIH, and the Office of the Secretary to improve our Nation's ability to prepare for, communicate during, respond to, and contain a potential pandemic influenza outbreak.

Health Resources and Services Administration

The FY 2008 Budget request for HRSA is \$5.8 billion, a net decrease of \$252 million below the FY07 Continuing Resolution and a decrease of \$26 million below the FY07 President's Budget.

Family Medicine Training

This budget again would eliminate Title VII Health Professions Grants, except for \$10 million in Scholarships for Disadvantaged Students.

Community Health Centers

The Budget supports the final year of the President's Health Centers Initiative, as well as the President's High Poverty Counties Initiative. By establishing over 220 new access points and funding 120 expanded medical capacity grants to existing health centers in FY 2008, the Health Center Program will surpass the goal of increasing access to primary health care in 1,200 communities across the Nation. The President's High Poverty Counties Initiative, which builds on the success of the Health Centers Initiative, will establish up to 120 new access points in high poverty counties that currently lack a health center site. A total of \$207 million is requested to support these expansion activities.

National Health Service Corps & Rural Programs

The budget request recognizes that the National Health Service Corps (NHSC) places primary care clinicians, including dental, mental and behavioral health professionals, in health professional shortage areas in every state and territory, but calls for \$116 million, a decrease of \$10 million, confident that it will continue to support a field strength of more than 3,400 clinicians. The FY08 request would cut Rural Health programs to \$17 million from \$160 million in FY07.

Agency for Healthcare Research and Quality

The FY 2008 budget request for AHRQ is \$330 million, an increase of \$11 million over the FY 2007 President's Budget. This level provides funding for the Secretary's Personalized Health Care Initiative and the Value-Driven Health Care Initiative. The Budget also supports efforts to improve patient safety through the implementation of proven information technologies and through establishing and maintaining a network of Patient Safety Databases as mandated by the Patient Safety and Quality Improvement Act of 2005.

Food and Drug Administration

The FY 2008 budget request for the FDA is \$2.1 billion, a net program level increase of \$263 million over the FY07 Continuing Resolution and an increase of \$106 million over the FY07 President's request. The FDA budget includes increases to speed approval of generic drugs, modernize the drug safety system, improve the safety of the Nation's food supply, increase safety and improve review of medical devices, and accelerate the availability of new and innovative medical products.

National Institutes of Health

The Administration calls for \$28.9 billion for NIH effectively providing level-funding for federal biomedical research efforts. The Senate Budget Committee calls that level "a \$743 million (2.5 percent) cut from what is needed to maintain NIH funding at the 2007 CR level adjusted for inflation."

Centers for Disease Control

The budget calls for \$5.8 billion for CDC, a \$165 million (2.8 percent) cut from what is needed to maintain CDC funding at the 2007 CR level adjusted for inflation. Of this cut, \$99 million reflects the elimination of the Preventive Health and Health Services Block Grant. The FY08 budget includes \$17 million for an Adolescent Health Promotion Initiative to slow the epidemic of childhood obesity.