

GR Summary: President's Budget Request for FY2019

On February 12, 2018, President Donald Trump transmitted his 2019 budget request to the Congress. Overall, the cuts proposed in this year's request are less severe than last year's, but the budget still calls for a \$3.6 trillion reduction in domestic spending over a 10-year period which would not balance the federal budget. For the Department of Health and Human Services (HHS), the request calls for \$68.4 billion, a cut of \$17.9 billion (21 percent) from the FY2017 enacted level.

The following is a summary of the key health provisions in the President's FY2019 budget request.

Health Care Coverage for All The budget calls for repealing and replacing the Affordable Care Act through a two-step approach. First, the budget calls for enactment of legislation modeled closely after the Graham-Cassidy-Heller-Johnson bill. Second, federal Medicaid expansion funding would be replaced by a block grant, and premium subsidies on the exchanges would be eliminated. These steps are projected to save the federal government \$657 billion over the 10-year budget window. The budget also includes a proposal to reduce the grace period for individuals on Exchange plan to make premium payments from 90 days to 30 days. This would save the U.S. Treasury an estimated \$1.3 billion over 10 years. The budget would fully fund the *Affordable Care Act's* risk-corridors program at \$812 million.

Administrative Burden The budget calls for improving interoperability of health information technology by modifying the Medicare meaningful use program. Effective FY2019, the budget proposes to provide hospitals and physicians the freedom to use electronic health records as they deem best by removing Federal penalties, reducing reporting burden, and eliminating low-value metrics of meaningful use. In addition, the proposal would enable the Centers for Medicare and Medicaid Services (CMS) to waive imposing the face-to-face requirement for durable medical equipment on all providers. Effective CY2021, the Administration seeks to simplify the Merit-based Incentive Payment System (MIPS) for physicians and other clinicians by adopting broader claims and beneficiary measures that assess clinician performance on quality and cost during the performance period at the group-level only. This proposal provides the Secretary with authority to set the MIPS performance threshold during the 2019-2020 transition years. [No budget impact]

Valuation of Physician Services to Set Rates This proposal targets CMS's approach to valuing Relative Value Units in the Physician Fee Schedule. The budget includes \$5 million in discretionary Program Management funding to initiate efforts to develop independent assessments of service costs to improve accuracy of payments to physicians and other health care professionals. [No budget impact]

Medicare Reforms The budget refines reimbursement for uncompensated and post-acute care, reforms competitive bidding for durable medical equipment, and eliminates higher out-of-pocket costs and unnecessarily high payments for services delivered at off-campus, hospital-owned physician offices. In addition, the budget would establish prior authorization for certain physician self-referrals, limits hospital payments associated with early discharge to hospices, and increases savings from Accountable Care Organizations (ACOs).

Medicare Site Neutral Policies The budget proposes to revise CMS policy and pay all hospital-owned physician offices located off-campus at the physician office rate. The proposal eliminates all exemptions effective CY2019 and achieves \$34.0 billion in savings over 10 years.

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Graduate Medical Education The budget includes a proposal to “consolidate and better target Federal spending for Graduate Medical Education to physician specialty and geographic shortages,” which saves a net \$48.1 billion over ten years. The proposed new grant program would be jointly operated by the CMS and Health Resources and Service Administration (HRSA) and would consolidate Medicare, Medicaid, and CHGME into a new capped grant program.

Teaching Health Centers GME/Community Health Centers/NHSC The Administration proposes shifting the mandatory funding of several key public health programs extended in the new *Bipartisan Budget Act* of 2018 to discretionary funding. This could provide a stable funding baseline and prevent the recurring fiscal cliff problem these programs have endured.

Medical Liability Reform The budget proposes to reform medical liability beginning in 2019. The reforms are expected to reduce health care costs and health insurance premiums by reducing medical liability insurance premiums and defensive medicine practices. Under this proposal, Federal health program costs would decrease and taxable income and payroll tax receipts would increase. Some of the specific proposals include a cap on noneconomic damage awards of \$250,000 and a three-year statute of limitations. [Estimated savings over 10 years: \$30.8 billion to HHS and \$52.1 billion to the federal government overall.]

Prescription Drug Costs The budget proposes new strategies to address high drug prices and increase access to lifesaving medicines by rationalizing the payment incentive structures in Part D and Part B and fostering greater competition. Other proposals to address drug costs include:

- requiring all Part B drug manufacturers to report average sales price (ASP) data and provide the Secretary with the authority to apply penalties to manufacturers who do not report required data.
- limiting increases in Medicare's ASP-based payment for a drug based on inflation as measured by the consumer price index.
- modifying hospitals' payment for 340B drug discount program drugs to reward them based on the charity care they provide and to reduce payment if they provide little to no charity care.
- providing the HHS Secretary with authority to consolidate certain drugs currently covered under Part B into Part D where there are savings to be gained through increased price competition.
- allowing the FDA to bring generics to market faster by incentivizing competition among manufactures which would yield savings to Medicare.
- providing new Medicaid demonstration authority to let up to five States test drug coverage and financing reforms under the Medicaid Drug Rebate Program.

Opioids and Mental Health The budget seeks an additional \$10 billion in funding to address the opioid epidemic and serious mental illness, but the budget allocates \$17 million for the White House Office of National Drug Control Policy (ONDCP) or a \$351 million reduction from the FY2018 request. The budget will provide grants through SAMHSA to support community efforts to equip and train first responders with lifesaving drugs. This investment will continue to support the important role of overdose-reversing drugs in improving community preparedness for an overdose in progress. The request would allocate \$10 million to the Food and Drug Administration (FDA) to support investment in regulatory science to develop tools to stem the misuse and abuse of opioids and provide technical assistance to clinical study design related to Medication-Assisted Treatments (MAT).

Centers for Disease Control and Prevention (CDC) The proposed budget seeks \$5.6 billion in discretionary spending for the CDC, a deep cut from the \$7.2 billion FY2017 level – cutting funds from most CDC activities. The Administration also proposes a few realignments of CDC offices moving the National Institute for Occupational Safety and Health (NIOSH) to NIH. The budget also proposes to shift

the National Strategic Stockpile out of CDC to the Office of the Assistant Secretary for Preparedness and Response at HHS.

Public Service Loan Forgiveness Program

The budget again in FY2019 proposes to eliminate loan forgiveness for borrowers working in public service jobs. It proposes to “streamline student loan repayment by consolidating multiple income-driven repayment (IDR) plans into a single plan. The single IDR plan would cap a borrower’s monthly payment at 12.5 percent of discretionary income. For undergraduate borrowers, any balance remaining after 15 years of repayment would be forgiven. For borrowers with any graduate debt, any balance remaining after 30 years of repayment would be forgiven. [Savings of \$45.9 billion over 10 years.]

Primary Care Research The budget again proposes to terminate the Agency for Healthcare Research and Quality and fold its research activities into the NIH as the National Institute for Research on Safety and Quality (NIRSQ). NIRSQ will receive remaining mandatory resources from the Patient-Centered Outcomes Research Trust Fund in FY2018 (\$124 million). Within NIH, the FY2019 budget includes \$256 million in budget authority for NIRSQ to continue selected unique, systemically-important activities formerly funded by AHRQ that have demonstrated effectiveness in improving healthcare quality. To continue progress on patient safety, the budget includes \$70 million for this area of research within NIRSQ, the same level as the FY2018 Continuing Resolution within AHRQ.

Health Professions Workforce Programs The budget proposes to cut \$744 million from HRSA workforce programs – eliminating Title VII Primary Care Training, Diversity, Area Health Education Centers (AHEC), the Children’s Hospital Graduate Medical Education (CHGME) program and other workforce programs in FY19.

HRSA Rural Health Programs The request seeks \$80 million in cuts from HRSA Rural Health programs – eliminating Rural Hospital Flexibility Grants and support for State Offices of Rural Health and cutting other rural health programs.

Family Planning The budget proposes an increase of \$1 million to \$286 million for the Title X family planning program administered by HRSA.

CMS Program Management The FY2019 discretionary budget request for CMS Program Management is \$3.65 billion, a decrease from the FY2018 estimate of \$4.58 billion and well below the FY2017 actual spending level of \$8.332 billion.

National Institutes of Health The request of an additional \$9.2 billion would return NIH funding to FY2017 enacted level.

Indian Health Service The FY2019 request seeks to increase spending on services for the IHS by \$299 million to \$4.77 billion.

Conscience Protection The budget calls for a federal, state and local prohibition on “governmental discrimination against health care providers that refuse to cover abortion.” [No budget impact]

Additional sources of information:

FY2019 HHS budget in brief <https://www.hhs.gov/sites/default/files/fy-2019-budget-in-brief.pdf>
OMB budget docs <https://www.whitehouse.gov/wp-content/uploads/2018/02/budget-fy2019.pdf>
HHS budget tables <https://www.whitehouse.gov/wp-content/uploads/2018/02/hhs-fy2019.pdf>

FY 2019 HHS BUDGET FOR SELECT OPERATING DIVISIONS

(The budget authority levels listed here are based on the Appendix and inclusive of the Addendum.)

Dollars in millions	2017 Actual	2018 Est.	2019 Budget
Food and Drug Administration			
Budget Authority	3,215	2,766	3,257
Outlays	3,312	2,600	3,092
Health Resources and Services Administration			
Budget Authority	10,732	10,864	9,891
Outlays	10,894	10,997	10,634
Indian Health Service			
Budget Authority	5,107	5,176	5,433
Outlays	4,775	5,449	5,410
Centers for Disease Control and Prevention			
Budget Authority	7,653	7,565	6,078
Outlays	7,999	8,108	7,530
National Institutes of Health			
Budget Authority	33,448	33,292	33,888
Outlays	31,062	34,369	35,082
Substance Abuse and Mental Health Administration			
Budget Authority	4,123	4,102	3,426
Outlays	3,414	3,734	3,616
Agency for Healthcare Research and Quality			
Program Level	415	422	0
Budget Authority	323	322	0
Outlays	318	300	240
Centers for Medicare & Medicaid Services			
Budget Authority	1,021,127	1,071,569	1,122,804
Outlays	998,556	1,039,384	1,092,541
Office of Medicare Hearings and Appeals			
Budget Authority	107	107	251
Outlays	107	107	251
Office of the National Coordinator			
Budget Authority	60	60	38
Outlays	81	102	46
Total, Health and Human Services			
Budget Authority	1,144,013	1,193,838	1,241,642
Outlays	1,116,779	1,167,867	1,215,886