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Sound Health Policy Objectives Achieved

Five Key Takeaways on Healthcare Priorities from the President's Budget

February 2018

On February 12, 2018, the President's Budget for Fiscal Year 2019 was released along with an addendum incorporating additional resources enacted in the Bipartisan Budget Act of 2018.

Helpful Resources

- The President's Budget Request for HHS
- The Addendum to the Budget
- BBA of 2018
- McDermott's Summary of Key BBA Provisions

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On February 12, 2018, the President released his proposed Budget for Fiscal Year 2019. The President's Budget sets a tone for federal policy priorities for the coming year and signals certain changes that may later be embraced and advanced by Congress or various Executive Branch agencies. However, every policy change proposed would require further legislative or administrative action before it could become law.

Below, we summarize key takeaways from the budget, and insights on the direction the Administration might take on major health policy areas.

1. Efforts to consolidate programs, strengthen Medicare's program integrity, and reduce perceived inefficiencies within HHS are evident throughout the budget.

The budget calls for the consolidation of graduate medical education programs under Medicare, Medicaid, and the Children's Hospital Graduate Medical Education (GME) Program. Spending on this new program would be capped, which would restrict the growth of spending on GME over time, and the management of the single program would be split between the Centers for Medicare and Medicaid Services (CMS) and the Health Resources and Services Administration (HRSA).

In addition, the budget calls for subsuming three different research agencies focusing on different aspects of healthcare research into the National Institutes of Health (NIH), including the Agency for Healthcare Research and Quality (currently under the Department of Health and Human Services (HHS)); the National Institute for Occupational Safety and Health (currently under the Centers for Disease Control and Prevention (CDC)); and the National Institute on Disability, Independent Living and Rehabilitation Research (currently under the Administration for Community Living in HHS).

The budget includes several proposals to strengthen integrity and reduce spending in Medicare, such as expanding the use of prior authorization for a variety of items and services. However, the President also proposed a more relaxed approach to the face-to-face encounter requirement for durable medical equipment, supplies and services.

2. Absent resources from the Bipartisan Budget Act of 2018, the budget outlook was bleak for many federal health programs.

The President signed the BBA on February 9, 2018, just three days before transmittal of the President's Budget for Fiscal Years 2019 to the Congress. The BBA lifted budgetary caps imposed on discretionary programs in the Budget Control Act of 2011, and raised spending levels for fiscal years 2018 and 2019 for defense and non-defense programs. (See our summary on key provisions in the BBA).

The budget for discretionary programs under HHS would increase discretionary funding by $29 billion in 2018 and 2019. Budget documents reveal that in the absence of the BBA, enacted just days before release of the budget, the President would have proposed a 21

percent cut to the HHS budget from 2018 continuing resolution funding levels, with underlying policies that support those proposed cuts.

The Office of the National Coordinator for Health IT, responsible for developing and setting standards for electronic health records and for interoperable health IT systems, for example, saw its proposed budget cut by 37 percent. Several of the country's public health program budgets also were recommended for significant cuts, including the CDC (-$1 billion or ~20 percent cut) and the Substance Abuse and Mental Health Services (- $688 million or 16 percent cut). While the resources made available due to the BBA somewhat moderate the overall impact of the intended cuts, it is clear that the Administration envisions a much leaner and more limited federal HHS.

HHS discretionary funding due to the BBA increased by $29 billion in 2018 and 2019

3. The Administration continues to demonstrate a commitment to deal with drug pricing through various proposals across Medicare and Medicaid programs.

There were myriad proposals aimed at addressing the rising prices of drugs and pharmaceuticals, an effort the President has verbally committed to addressing on a number of occasions. Drug-related proposals range from placing additional requirements for price transparency for all Medicare Part B drugs, to reductions in wholesale acquisition costs when average sales prices (ASP) are not available to ASP + 3 percent, a drop from ASP + 6 percent. In addition, the budget calls for a Medicaid demonstration program to allow up to five states to form a negotiating pool in order to strengthen their advantage in negotiating prices from manufacturers.

4. There would be added resources to address the opioid crisis, but broader policy proposals could adversely affect the goal to expand access to treatment to all who need it.

The budget calls for a significant increase in opioid funding of $10 billion, a planned $5 billion original request, and an additional $5 billion spurred by the BBA. A look at the Administration's plans for this significant pool of resources, slated to last several years, indicates that a thorough spend plan is yet to be developed. Of the $10 billion request, only $3 billion has been allocated to specific agencies within HHS. Another $7 billion would be appropriated to an account within the Office of the Secretary of HHS, who would then have discretion in how to distribute those amounts across the Department.

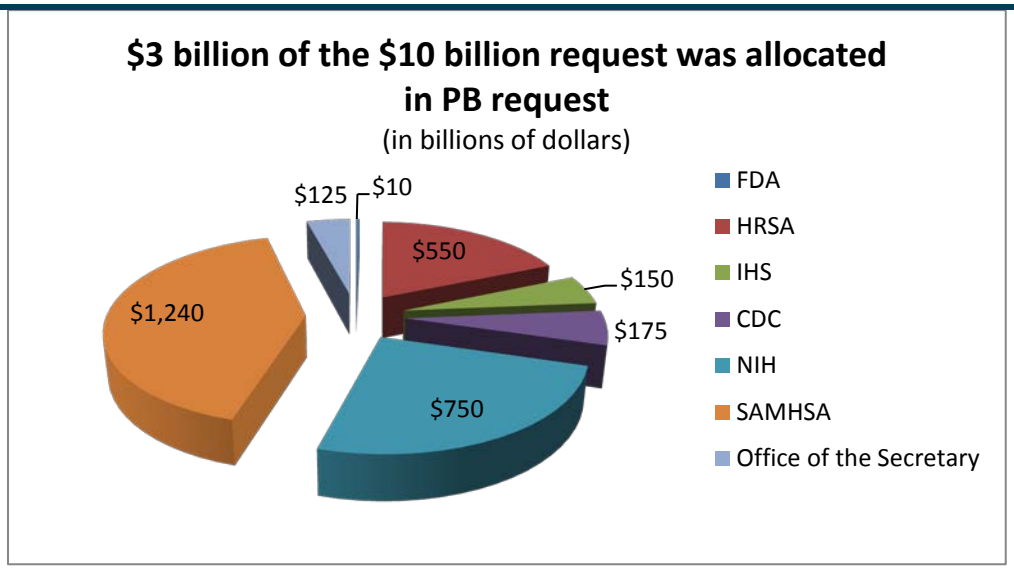

Figure 1: $3 billion of the $10 billion request was allocated to specific agencies in the PB 2019 request

Also notable in this budget is that for the first time, a policy proposal for Medicare to cover methadone is included. Methadone, a first line of many therapies typically used to taper dependence on opioids, currently is not covered by Medicare, despite several past efforts to revise this policy administratively. In addition, the budget calls for Medicare and Medicaid to cover all therapies associated with substance overuse and abuse—including needed counseling services. Notably, separate Medicaid proposals, which likely would generally restrict access, reduce federal funding, and end Medicaid expansion if they are enacted, would likely have the effect of restricting access to needed therapies to treat opioids addiction among the most vulnerable.

5. A restricted vision for healthcare is pervasive throughout the budget, but the need for refined regulatory advancements will likely remain.

The President's Budget represents a vision put forth by the Administration to showcase the direction and policy initiatives that support that broader vision. The budget is a delicate—and often contentious—balance between maintaining precedent and directing federal resources towards the most pressing goals of the government, versus a vision for new directions and new future initiatives. Several proposals point to a reduction in resources that address rural health and the health of vulnerable populations, and limitations in the federal role in advancing the public health infrastructure. However, there are new and growing opportunities to advance policies that include federal consideration in supporting the use of technology seamlessly into healthcare delivery. The Food and Drug Administration recognizes some of what is on the horizon in healthcare by, for example, calling for a new Center of Excellence for Digital Health to advance a framework for policy engagement and regulatory infrastructure for medical devices and diagnostics. Outside the government, several technology firms are hungry

for a regulatory framework that works with them to understand and shape public policy. The next President's Budget and other regulatory action will likely address these new issues confronting the healthcare industry.

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