



President's FY 2024 Budget: HHS Highlights

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On March 9, 2023, President Biden released his [proposed fiscal year \(FY\) 2024 budget](#) that includes \$6.9 trillion in mandatory and discretionary spending. The [US Department of Health and Human Services \(HHS\) budget](#) proposes \$1.7 trillion in mandatory funding and \$143 billion in discretionary budget authority, an 11.5% increase from the 2023 enacted level.

While the budget request represents the administration's funding goals for the coming year, it also sheds light on the administration's policy goals. With tight margins in the US House of Representatives and the US Senate, stakeholders look to these goals as possible regulatory or executive steps the Administration could implement without the need for congressional action. The Administration is touting investments in the following:

- Preparing for future public health threats
- Protecting the health of Americans, including maternal health, reproductive health, behavioral health and preventive care
- Expanding coverage and access to care
- Expanding the health workforce
- Advancing science to improve health
- Ensuring effective and efficient management and stewardship, including operations, cybersecurity and program integrity.

The president's FY 2024 budget request is the first step in the federal budget process. Administration officials will testify before several congressional committees in the coming weeks to present and discuss the proposed budget. Relevant congressional committees are already discussing the FY 2024 budget and appropriations, as time is limited between now and the end of the current FY (September 31, 2023). As the significant delays over the past FY have taught us, the congressional process can take many months and can be fraught with missed deadlines. Read on for funding and policy highlights for HHS.

Centers for Medicare and Medicaid Services

The president's FY 2024 budget estimates \$1.5 trillion in mandatory and discretionary outlays for the Centers for Medicare and Medicaid Services (CMS), a net decrease of \$38 billion from FY 2023 enacted.

Medicare

Estimates for FY 2024 anticipate that gross current law spending on Medicare benefits will total \$1 trillion and the program will provide health benefits to 67 million beneficiaries.

Medicare Solvency. To ensure continued solvency of the Medicare program, President Biden proposes to close a loophole that allows certain business owners to avoid paying Medicare taxes on profits, and proposes to dedicate revenue raised by the net investment income tax to the Medicare Hospital Insurance Trust Fund. The budget also would raise the Medicare tax rate on earned and unearned income and the net investment income tax rate from 3.8% to 5% for Americans earning more than \$400,000 a year. The budget directs the savings from proposed Medicare drug reforms into the Hospital Insurance Trust Fund. Combined, these efforts are expected to extend Medicare solvency for 25 years.

Medicare Drug Negotiation. The budget builds upon the Inflation Reduction Act to continue lowering the cost of prescription drugs. This includes further strengthening Medicare's newly established negotiation power by extending it to more drugs and bringing drugs into negotiation sooner after they launch. President Biden proposes to increase the number of drugs subject to Medicare price negotiation and decrease the number of years medicines are excluded from negotiation to only five years for both drugs and biologics. Under current law, Medicare can negotiate the price of 10 Part D drugs in 2026, another 15 Part D drugs in 2027, 15 Part D and Part B drugs for 2028, and an additional 20 Part D or Part B drugs in 2029 and beyond. The White House estimates that this expansion of Medicare's drug negotiating power would save the federal government \$160 billion over a 10-year period. The budget also proposes to limit Medicare Part D cost-sharing for high-value generic drugs used for certain chronic conditions (such as hypertension and high cholesterol) to no more than \$2. The budget proposes to cap the cost of insulin at \$35 for all patients, not just Medicare beneficiaries.

Mental and Behavioral Health. The budget would lower Medicare beneficiaries' costs for mental health services, require parity in coverage between behavioral health and medical benefits, and expand coverage for behavioral health providers. The budget also proposes to eliminate the 190-day lifetime limit on psychiatric hospital services. To enhance access to mental health services, the budget proposes to revise criteria for psychiatric hospital terminations from Medicare so that a psychiatric hospital can continue to be a Medicare provider as long as any compliance deficiency does not jeopardize patient health and wellbeing. The budget proposes to allow Medicare to identify and designate additional professionals (in addition to the recent coverage expansion for marriage and family therapists and mental health counselors) who could enroll in Medicare and be paid when furnishing behavioral health services within their applicable state licensure or scope of practice that would otherwise be covered when furnished by a physician. Additional providers would include clinical social workers, peer support workers and certified addiction counselors.

Long-Term Care Facilities. The budget proposes to change the individual subject to a civil money penalty for noncompliance or substandard care from the long-term care facility "administrator" to the facility "owner, operator, or owners or operators." The proposal would allow enforcement actions to be imposed against owners or operators of multiple facilities that provide persistent substandard and noncompliant care. CMS would also be able to prohibit an

individual or entity from obtaining a Medicare or Medicaid provider agreement for a nursing home based on the Medicare compliance history of their other owned or operated facilities. The proposal would increase the level of civil money penalties and create a penalty scale based on the severity of the deficiencies within a facility. The budget also proposes a new category of standardized patient assessment data to be collected, focusing on social drivers of health (see the section on inpatient rehabilitation facilities below). The budget proposes to require skilled nursing facilities with private equity or real estate investment trust ownership, whether direct or indirect, to provide additional financial disclosures above and beyond other provider types.

Medicare Advantage. The budget proposes to confirm diagnoses submitted by Medicare Advantage (MA) plans for risk adjustment with the medical record before CMS makes risk-adjusted payments. The proposal would focus prepayment review on plans, diagnoses or beneficiaries at elevated risk of improper payments and would determine the threshold at which plans would be required to submit medical record documentation in support of risk adjustment. The budget asserts that confirming diagnoses before making risk-adjusted payments would improve MA payment accuracy. The budget also proposes a requirement for MA plans to collect valid ordering, referring or prescribing provider identifiers for healthcare services and to report this information as part of encounter data submissions to CMS. The budget states that such data collection would assist with investigations and would provide CMS and the HHS Office of Inspector General with improved capabilities to prevent potential program losses and beneficiary harm. The budget also proposes a new requirement for MA plans, excluding Employer Group Waiver Plans, to meet a minimum medical loss ratio of 85% specifically for supplemental benefits (those beyond basic Part A and B benefits), in alignment with the existing 85% medical loss ratio across all types of benefits. This new medical loss ratio for supplemental benefits is intended to create incentives for MA plans to reduce administrative costs and to ensure that taxpayers and beneficiaries receive better value.

Inpatient Rehabilitation Facilities. The budget proposes to add a new category of standardized patient assessment data—social drivers of health—for all post-acute care providers (including inpatient rehabilitation facilities, long-term care hospitals, skilled nursing facilities and home health agencies). This data could include transportation insecurity, housing insecurity, social isolation and food insecurity. The new data collection is intended to enable real-time information exchange between the healthcare system and the resources best equipped to address individual needs.

Medicaid

The Medicaid section of the budget highlights health equity, home- and community-based services, managed care oversight and multiple initiatives estimated to produce savings.

The budget includes program efficiency proposals, such as authorizing HHS to negotiate Medicaid supplemental rebates on behalf of states (estimated \$5.3 billion in savings over 10 years) and modifying the Medicaid Drug Rebate Program for the territories by excluding sales from the manufacturer calculation of average manufacturer price and best price in territories to ensure continued discounted drug prices for territories.

The budget also seeks to enhance oversight and enforcement in Medicaid managed care by conditioning the federal match in Medicaid managed care contracts on a service-by-service basis and providing CMS with additional enforcement options. The budget would require Medicaid and Children's Health Insurance Program (CHIP) managed care plans to meet a minimum medical loss ratio of 85%. These changes to managed care are estimated to save \$21.5 billion in Medicaid and \$1.7 billion in CHIP over 10 years.

The Administration maintains its focus on addressing social determinants of health and promoting equity throughout the Medicaid program. In particular, the proposal simplifies the eligibility and renewal processes for certain individuals who qualify for both Medicare and Medicaid. The budget would also require states to provide 12 months of postpartum coverage in Medicaid and CHIP, a flexibility that is currently optional to states. This change is estimated to cost Medicaid \$2.4 billion over 10 years.

The proposal would invest \$150 billion in home- and community-based services program benefits over 10 years. It would provide another \$278 million to CMS over 10 years to support the Adult Quality Measurement and Improvement Program, establish a Home and Community Based Services Measurement Program, and mandate reporting on a core set of measures in both programs.

The budget again seeks to improve access to HIV/AIDS treatment. Pre-exposure prophylaxis (PrEP) is a daily medication for people at risk for HIV and can significantly reduce the risk of acquiring HIV. This budget proposal requires coverage of PrEP under Medicaid, including associated laboratory services, with no cost-sharing, and would regulate utilization management practices. This proposal is estimated save \$10.2 billion over 10 years.

Other legislative proposals throughout the budget would also affect Medicaid, such as expanding the Vaccines for Children program to all kids in CHIP, making the Certified Community Behavioral Health Clinic Demonstration permanent and adding 20,000 special immigrant visas.

Private Insurance and Marketplace

The private insurance section of the FY 2024 budget focuses on expanding coverage options and increasing affordability of coverage. One such legislative proposal is a permanent extension of the advanced premium tax credits (APTCs). The Affordable Care Act included APTCs to help individuals and families with incomes between 100% and 400% of the federal poverty level (FPL) purchase health insurance in the federal exchange marketplace. The American Rescue Plan Act temporarily extended these tax credits to individuals with incomes above 400% of the FPL and made the subsidy more generous for those below 400%. For 2021 and 2022, the American Rescue Plan Act also expanded the Affordable Care Act requirement that a health plan premium not be more than 8.5% of an individual's income to those with incomes above 400% of the FPL. The Inflation Reduction Act extended the expanded APTCs for three years through 2025. The budget proposes to permanently extend this increased APTC eligibility, remove the 400% of the FPL cap on premium tax credit eligibility and eliminate the indexing of the required contribution percentage.

The budget also includes a proposal that was originally introduced in the Build Back Better Act, that would create Medicaid-like coverage for individuals in states that have not expanded Medicaid under the Affordable Care Act, paired with financial incentives to ensure states maintain their existing expansions. Individuals in non-expansion states would be able to acquire insurance through the Marketplace.

The budget also includes funding to continue the implementation of the No Surprises Act and proposes to extend the No Surprises Act to ground ambulances.

Finally, the budget includes proposals to reduce prescription drug prices in the private insurance market. The budget proposes to expand the inflationary rebates included in the Inflation Reduction Act to commercial plans, and also to cap patient cost-sharing for insulin products in the commercial market to \$35.

Center for Medicare and Medicaid Innovation

The Center for Medicare and Medicaid Innovation (CMMI) section of the FY 2024 budget provides an overview of CMMI's strategic vision and priorities organized around five objectives: driving accountable care, advancing health equity, supporting innovation, addressing affordability and partnering to achieve system transformation. These objectives guide models and priorities, and CMS measures progress toward achieving goals for each objective to assess impact. The FY 2024 budget does not provide any proposals for new models but does provide a brief overview of three recently announced models selected by the HHS Secretary to address prescription drug affordability.

National Institutes of Health

The budget request includes \$48.6 in discretionary and mandatory resources for the National Institutes of Health (NIH). This allocation is \$920 million above the FY 2023 enacted amount. The budget is estimated to support 44,410 research project grants, an increase of 790 above FY 2023. The budget largely focuses on funding NIH programs and has limited legislative proposals. One legislative proposal that is included is reauthorizing the Special Type 1 Diabetes Program. Major funding proposals in the budget focus on supporting pandemic preparedness, ending HIV, improving maternal health, addressing the social determinants of health and supporting the Cancer Moonshot initiatives. Finally, the budget includes proposed funding for the Advanced Research Projects Agency for Health (ARPA-H), which supports the development of high-impact research advances that drive real-world impact. The FY 2024 budget would provide ARPA-H with approximately \$2.5 billion, a \$1 billion increase above FY 2023 enacted.

Health Resources and Services Administration

The FY 2024 budget requests \$15.9 billion for the Health Resources and Services Administration (HRSA), which is \$1.5 billion above FY 2023 enacted. This total includes \$9.2 billion in discretionary budget authority and \$6.6 billion in mandatory funding and other sources.

The budget provides \$7.1 billion for the Health Center Program, which includes \$1.9 billion in discretionary funding and \$5.2 billion in proposed mandatory resources. The budget would also more than double the investment in behavioral health services at health centers by directing \$700 million in new mandatory funds to behavioral health service expansion and requiring that all health centers provide behavioral health services.

The budget provides \$2.7 billion for HRSA workforce programs, including \$947 million in mandatory resources, to expand workforce capacity across the country. This includes \$966 million for the National Health Service Corps, an increase of \$548 million above FY 2023 enacted. The budget proposes to extend mandatory funding, which expires in FY 2023, through FY 2026 to support the health workforce in high-need communities. The budget additionally includes \$157 million in mandatory funding for FY 2024 for the Teaching Health Center Graduate Medical Education Program. The budget extends and increases funding over three years, through FY 2026, to support more than 2,000 resident slots by 2026 in these innovative, community-based physician and dental training programs. The budget also includes \$387 million, which is \$190 million above FY 2023 enacted, to train about 18,000 behavioral health providers to help respond to the mental health and substance use crisis affecting the country. The budget invests \$25 million in support of the Dr. Lorna Breen Act for a new program to foster a culture of wellness in healthcare facilities, including hospitals, rural health clinics, community health centers and medical professional associations.

The budget invests a total of \$1.9 billion in HRSA's Maternal and Child Health programs, including \$276 million to reduce maternal mortality and morbidity. This includes \$5 million for the Training for Healthcare Providers program to reduce and prevent biases among healthcare providers in maternity care settings as well as \$185 million for the Healthy Start program to reduce disparities in infant mortality and improve infant health outcomes.

The budget invests a total of \$416 million for the Federal Office of Rural Health Policy, which is \$63 million above FY 2023 enacted, for grants to increase healthcare access; strengthen health networks; and focus on quality-of-care improvements for critical access hospitals, small rural hospitals and rural emergency hospitals. The budget additionally includes \$20 million for a new pilot program that would provide support to at-risk rural hospitals, and \$10 million for a new Rural Health Clinic Behavioral Health Initiative to expand access to mental health services in rural communities.

The budget provides \$17 million, an increase of \$5 million above FY 2023 enacted, to continue to provide oversight and improvement of the 340B Drug Pricing Program. The budget proposes requiring covered entities to annually report to HRSA how the savings achieved through the 340B Drug Pricing Program benefits the communities they serve, and providing HRSA regulatory authority to implement this requirement.

The budget includes \$45 million for telehealth services, an increase of \$7 million above FY 2023 enacted, to increase healthcare quality and access, expand provider trainings, and improve health outcomes in rural and underserved areas.

The budget provides \$100 million in new resources to fund Long COVID Integrated Diagnostics and Care Units, which would provide care for uninsured patients with long COVID-

19, including through telemedicine. The budget provides \$30 million to support provider training, capacity building and consultation, with an aim to equip primary care providers with knowledge about long COVID-19 diagnostics and treatment.

Substance Abuse and Mental Health Services Administration

The president's FY 2024 budget request provides \$10.8 billion for the Substance Abuse and Mental Health Services Administration (SAMHSA), an increase of \$3.3 billion above FY 2023 enacted. This funding would be used to expand access to behavioral health care and grow investments in crisis response, harm reduction, the behavioral health workforce, services to people experiencing homelessness, and recovery services.

The FY 2024 budget provides \$4.9 billion specifically for SAMHSA's mental health and crisis response activities, an increase of \$2.2 billion over FY 2023 enacted. This includes continued investments in the 9-8-8 and Behavioral Health Crisis Services program, including a dedicated \$836 million to the program, which would increase capacity for 9-8-8 to respond to 100% of the estimated nine million contacts in 2024. The budget also would invest in the crisis response continuum in order to provide the right care to people in need, when they need it most. This includes mobile crisis response, to which the budget allocates \$100 million to expand partnerships with 9-8-8 local crisis centers, community providers, 9-1-1 centers and first responders, to reduce reliance on law enforcement and lower the risk of excessive force in crisis response.

SAMHSA's mental health budget includes continued mental health infrastructure investments, including \$1.7 billion for the Community Mental Health Block Grant program and \$553 million for the Certified Community Behavioral Health Clinics grant program. It also includes a \$2 billion mandatory Mental Health System Transformation Fund to expand access to mental health services through workforce development and service expansion, including the development of nontraditional health delivery sites, the integration of quality mental health and substance use care into primary care settings, and dissemination of evidence-based practices. The budget includes \$110 million for the Projects for Assistance in Transition from Homelessness program.

The FY 2024 budget provides \$5.7 billion specific to substance use prevention and treatment activities, an increase of \$1.3 billion over FY 2023 enacted. This covers recovery support services, including \$28 million for the Building Communities of Recovery program and \$158 million for the Targeted Capacity Expansion program, which includes \$10 million for a new pilot initiative to combine services that incorporate harm reduction, treatment and recovery supports with housing and intensive case management. The budget also includes \$50 million for a harm reduction program to continue the initiative first created in the American Rescue Plan, and would increase access to naloxone by providing \$78 million to the First Responder Training program and \$28 million for grants to prevent overdose. Also included in the substance use portion of the budget is \$2.7 billion for the Substance Use Prevention, Treatment, and Recovery Services Block Grant, and \$2 billion for the State Opioid Response grant program.

With respect to expanding and diversifying the behavioral health workforce, the budget includes \$37 million for SAMHSA's Minority Fellowship Programs, an increase of \$17 million

over FY 2023 enacted. This investment would nearly double the number of fellows and increase the number of trained providers to 6,500. The proposal would add a service requirement to ensure participants support communities in need.

US Food and Drug Administration

The FY 2024 budget requests \$7.2 billion for the US Food and Drug Administration (FDA), an increase of \$521 million over FY 2023 enacted levels. This funding includes \$4 billion in discretionary spending and \$3.3 billion in user fees. The budget also proposed that the FDA receive \$670 million in mandatory funding for pandemic preparedness.

The budget seeks to improve food safety, including oversight of infant formula, by providing \$1.7 billion for the FDA's Human Food Program. Funds would be used to hire additional staff and refine laboratory methods for detecting bacteria in products. Funds would also support FDA's Closer to Zero plan for reducing and eliminating toxic elements in infant and toddler foods.

The budget includes \$4.6 billion, \$200 million above the FY 2023 enacted, to support medical product safety activities across the agency. This total includes \$2.1 billion in budget authority and \$2.4 billion in user fees. Of this total, \$103 million would be used to continue implementation of the Opioid Overdose Prevention Framework. Funds would also be used to modernize product safety data, improve post-market surveillance, and better assess supply chain issues and device shortages. Finally, \$50 million would be provided for the Cancer Moonshot, an increase of \$48 million above FY 2023 enacted levels.

The budget proposes \$670 million over five years in mandatory funding to expand and modernize the FDA's ability to respond rapidly to any future pandemic or biological threat. The budget also includes \$712 million in user fees to continue implementing new authorities to regulate a wide range of tobacco products to reduce tobacco-related diseases and deaths. The budget proposes an additional \$100 million in user fees to support electronic nicotine delivery systems and nontobacco nicotine regulatory activities. These funds would support hiring more staff and bolster tobacco product regulatory activities.

Centers for Disease Control and Prevention

The president's FY 2024 budget includes \$19.5 billion in total mandatory and discretionary funding for the Centers for Disease Control and Prevention (CDC) and the Agency for Toxic Substances and Disease Registry. This total includes \$10.5 billion in discretionary funding, \$1.2 billion from the Prevention and Public Health Fund, and \$8 billion in current and proposed funding for mandatory programs. The FY 2024 budget also includes \$20 billion in mandatory funding across HHS for pandemic preparedness, which is reflected in the Public Health and Social Services Emergency Fund. Of this total, \$6.1 billion is allocated to CDC.

The budget does not include legislative or regulatory proposals for the CDC. Instead, it focuses on funding initiatives and programs, including improving public health data and infrastructure, improving maternal health, ending HIV, funding the Cancer Moonshot and improving pandemic preparedness.

Office of the National Coordinator

The president's FY 2024 budget requests \$104 million for the Office of the National Coordinator (ONC), which is \$37 million above the FY 2023 enacted funding level. The budget pulls this extra funding from the Public Health Service Act Evaluation set-aside.

- The FY 2024 budget includes \$39 million for ONC's policy development and coordination work, an increase of \$18 million above the FY 2023 enacted level. This increase would focus on efforts to accelerate the adoption and expansion through the Trusted Exchange Framework and Common Agreement and advance interoperability policy work.
- The budget includes \$52 million for ONC's standards, interoperability and certification work, an increase of \$18 million above the FY 2023 enacted level.
- The FY 2024 budget includes \$13 million for ONC to support overall leadership, operational and administrative functions, an increase of \$1 million above the FY 2023 enacted level.

ONC also mentioned several notice-and-comment rulemaking efforts, including implementing the Electronic Health Record Reporting Program condition of certification and updating the certification program according to the 21st Century Cures Act Final Rule, including expanding availability of health information that enhances equity for patients and providers. ONC plans to make updates to the Certified Health IT Product List and testing tools, such as prior authorization, real-time prescription drug benefits and public health certification, allowing developers to focus more on health IT innovations rather than duplicating testing efforts.

The budget includes a legislative proposal, originally made in the FY 2023 proposed budget, to allow ONC to issue advisory opinions for information blocking. This would allow ONC to issue public, legally binding advisory opinions for the information blocking regulations.

Agency for Healthcare Research and Quality

The FY 2024 budget requests \$564 million for the Agency for Healthcare Research and Quality (AHRQ), which includes \$403 million in budget authority, \$45 million in Public Health Service evaluation set-aside funding and \$116 million in mandatory transfers from the Patient-Centered Outcomes Research Trust Fund.

The budget provides \$170 million, an increase of \$59 million above FY 2023 enacted, for the health services research, data and dissemination portfolio. This includes \$59 million for investigator-initiated research to support new and continuing general research grants. It also includes \$11 million for primary care research. The budget requests \$5 million in new funding to expand behavioral health activities. Funds would also be provided to expand research on long COVID-19 and improving maternal health. The budget would increase funding for patient experience measurement tools, including \$3 million to support one or two competitive grants to explore opportunities for low-burden, purpose-driven patient experience measurement tools that are designed to promote equity. Finally, the budget provides \$7 million to advance efforts to coordinate ongoing state-level efforts to develop the necessary infrastructure to create and regularly disseminate a national all-payer claims database.

The budget requests \$18 million for AHRQ's digital healthcare research portfolio, an increase of \$2 million above FY 2023 enacted. This increase would support the establishment of two Centers of Excellence in Telehealthcare Implementation. These centers would be charged with researching and evaluating the effects of telehealth on healthcare delivery and health outcomes to ensure that telehealth is delivered through evidence-based practice and policy. This research would include both Medicare and Medicaid populations and would focus attention on telehealth's impact on increasing access and equity for minority, aging and rural people. This research also would target telehealth use in mental health, substance abuse and maternal health care.

The budget includes \$18 million for the US Preventive Services Task Force, an increase of \$6 million above FY 2023 enacted, to allow the Task Force to expand the number of clinical preventive services reviews in FY 2024. In FY 2022, the Task Force released 12 final recommendations. In addition, \$72 million is provided for the Medical Expenditure Panel Survey, which is the most complete source of data on the cost and use of healthcare and health insurance.

Next Steps and Conclusion

In the coming weeks, we will see Administration officials testify before House and Senate committees to present their respective budgets to Members of Congress and answer questions on proposals. This is an opportunity for both sides to explain and defend health policy priorities. It is also an opportunity for stakeholders to seek questions from Members on specific policies, either through direct questions or questions for the record, which are submitted and answered after the official hearing. We expect prescription drug pricing, Medicare solvency, mental and behavioral health, and the rising cost of care to be front and center at these hearings.

The House and Senate will then work through the Budget and Appropriations Committees to negotiate funding bills. The timeline is tight; the current FY ends September 30, 2023.

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