President’s 2018 Department of Health and Human Services
Budget Overview

Includes Medicaid Reductions, IPAB Repeal, and Agency Consolidation

On May 22, the White House released detailed department budgets in follow up to the “skinny budget” released earlier this year, “America First: A Budget Blueprint to Make America Great Again.” Below are highlights from the U.S. Department of Health and Human Services (HHS) budget. Of note, the President’s budget is a blueprint. Congress may or may not follow this as it prepares the formal Budget Resolution, which frames federal government operations.

President Trump released his $4.1 trillion budget proposal for fiscal year (FY) 2018. The plan projects to collect $3.65 trillion in revenue. The proposal balances the budget in 10 years. It includes $3.6 trillion in spending cuts over 10 years, with $1.7 trillion of that savings coming from mandatory spending. The plan includes more than $800 billion in savings from health care, mostly from repealing the Affordable Care Act (ACA), saving $250 billion, and reforming Medicaid and the Children’s Health Insurance Program, saving $616 billion. It does not include cuts to Social Security or Medicare. The budget proposes to increase discretionary defense spending by $344 billion.

HHS

The FY 2018 budget proposal is asking for $69 billion in discretionary budget authority for HHS, a decrease from President Obama’s $82.8 billion request for FY 2017. The proposal includes $1.046 trillion in mandatory funding. The administration says the HHS budget focuses on direct services and proven investments while streamlining or eliminating programs that are believed to be duplicative or have limited impact. The HHS proposal would save $665 billion over 10 years. Key elements of the HHS budget include:

- **Medicaid as a Saver.** The Budget reforms the fiscal structure of Medicaid, allowing states a choice between a per capita cap or a block grant beginning in FY 2020. This is similar to the Medicaid reform proposal within the American Health Care Act, which passed the House earlier this month. In that bill, AHCA/NCAL was pleased to see protections for the populations our members serve were added: a higher annual growth rate (CPI-Medical + 1%) for the aged and blind/disabled categories, as well as excluding the aged and blind/disabled from a proposed block grant option. The President’s Budget does not clarify whether these provisions are included. The Administration estimates this will produce $610 billion in savings to Medicaid over 10 years.
• **Independent Payment Advisory Board (IPAB).** Section 3403 of the ACA established authority for IPAB, an independent body intended to rein in per capita Medicare expenditures and preserve the Medicare Trust Fund. The budget proposes to repeal IPAB and all amendments made to it following passage of the ACA. All remaining unobligated administrative funds would be rescinded. The proposal costs $7.6 billion over 10 years.

• **Other Programmatic Changes.** It also focuses CHIP on the most vulnerable low-income families. The budget proposes medical liability reforms that will save HHS $31.8 billion over 10 years and save $55 billion to the federal government overall. It also includes a proposal allowing the expansion of Direct Primary Care. The budget provides $2.9 billion to address public health disasters and threats, $207 million to respond to an influenza pandemic, and $1.02 billion to research and develop medical countermeasures.

The budget also focuses on the opioid epidemic. It provides:

- $500 million for the Substance Abuse and Mental Health Administration’s (SAMHSA) State Targeted Response to the Opioid Crisis Grants;
- $1.9 billion for the Substance Abuse Block Grant;
- $25 million for SAMSHA to improve access to critical interventions;
- $24 million for overdose reversal drugs for first responders; and
- $75.4 million to improve opioid prescribing.

The president’s budget includes mental health funding: $119 million for the Children’s Mental Health Services program and $60 million in suicide prevention grants. It proposes structural reforms to the National Institutes of Health (NIH) and consolidates the Agency for Healthcare Research and Quality into NIH. The budget would increase Food and Drug Administration (FDA) user fees to 100 percent of the costs for premarket review and approval activities. (HHS 05/22)

• **Program Integrity.** The budget would strengthen the integrity and sustainability of the Medicare and Medicaid programs by investing an additional $70 million in new Health Care Fraud and Abuse Control (HCFAC) funding in FY 2018. It target activities that prevent fraud, waste, and abuse and those that promote quality and patient-centered heath care. Of the total FY 2018 budget proposal, $1.4 billion would be allocated for mandatory funding and $751 million for discretionary funding (together totaling $2.1 billion). Key program initiatives include:

  - **Medicare Program Integrity:** Modernize Medicare documentation standards for medical review; enhance provider education efforts; and improve provider/Centers for Medicare and Medicaid Services (CMS) interactions by consolidating provider portal entry points into CMS systems and enhancing visibility of current and historic billing and audits.
  - **Medicaid Data Systems:** Invest in Medicaid data systems to address concerns about inadequacies and help states to better fulfill their responsibilities to address fraud, waste, and abuse in the Medicaid program.
• **Medicaid Financial Management and Oversight:** Invest additional funding to better support efforts to avert questionable reimbursements.

• **Medical Liability:** The budget includes a set of proposals to reform medical liability, which would reduce medical malpractice costs and the practice of defensive medicine while supporting state efforts to reduce Medicaid costs. Ultimately, these reforms would save the HHS programs $31.8 billion over 10 years and $55 billion to the federal government overall. Specifically, the budget proposes the following reforms:
  - Capping awards for noneconomic damages at $250,000 indexed to inflation;
  - Providing safe harbors for providers based on clinical standards;
  - Authorizing the Secretary to provide guidance to states to create expert panels and administrative health care tribunals;
  - Allowing evidence of a claimant’s income from other sources — such as workers compensation and auto insurance — to be introduced at trial;
  - Providing for a three-year statute of limitations;
  - Allowing courts to modify attorney's fee arrangements;
  - Establishing a fair-share rule to replace the current rule of joint and several liability;
  - Excluding provider expressions of regret or apology from evidence; and
  - Requiring courts to honor a request by either party to pay damages in periodic payments for any award equaling or exceeding $50,000.

• **Affordable Care Act.** The budget includes $250 billion in net deficit savings over 10 years related to repealing and replacing the ACA and implementing reforms that provide Americans with access to high-quality, affordable care that works best for them. The budget also promotes efficient operations and funds necessary to continue to operate the state health insurance exchanges in 2018.

**Indication of Possible Future Consolidation.** Presidential authority to eliminate or fundamentally alter federal agencies expired in the 1980s. However, the President can propose re-organization of existing agencies. The FY 2018 Budget consolidates the Agency for Healthcare Research and Quality (AHRQ) into a new National Institute for Research on Safety and Quality (NIRSQ) and includes $272 million in budget authority for NIRSQ. The Administration states that this reorganization within NIH would “structure AHRQ as an institute and preserve links between many of the closely-related continuing activities, simplify administrative responsibilities for consolidating and continuing the programs, and maintain an entity that can serve as a center of excellence for improving the quality and safety of health care services.”

**For More Information**
You can view the entire budget document, *A New Foundation For American Greatness*, [here](#). A summary of the major savings and reforms document is available [here](#). Please contact Mike Cheek, Senior Vice President for Reimbursement Policy, with any questions or concerns.

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