

FUNCTION 550: HEALTH

FUNCTION SUMMARY

Function 550 covers all health spending except that for Medicare, military health, and veterans' health. The major programs include Medicaid, the State Children's Health Insurance Program, health benefits for federal workers and retirees, the National Institutes of Health, the Food and Drug Administration, the Health Resources and Services Administration, Indian Health Services, the Centers for Disease Control and Prevention, and the Substance Abuse and Mental Health Services Administration.

Under the freeze baseline, 1999 outlays in this Function are \$10.9 billion higher than 1998 outlays, an increase of 8.2 percent. Over the period 1998 to 2003, spending will increase at an average annual rate of 6.1 percent in the freeze baseline.

Mandatory spending represents 81 percent of all spending for Function 550 and is dominated by the Medicaid program. Under the baseline, Medicaid is expected to grow from \$101 billion in 1998 to \$141 billion in 2003, for an average annual growth rate of 6.9 percent. Medicaid accounts for \$40 billion, or 90 percent, of the additional spending in this function in 2003 compared with 1998.

In 1998, discretionary spending in this Function totals \$26.4 billion in BA and \$25.3 billion in outlays. About one-half of the discretionary spending is for the National Institutes of Health (\$13.6 billion in BA in 1998). NIH received a significant funding increase in 1998, from \$12.8 billion in BA to \$13.6 billion, a 7 percent increase.

Function 550 was not a protected function in the BBA. On the mandatory side, the BBA included several provisions to reduce Medicaid spending and start a children's health insurance initiative. In the BBA, Medicaid spending (excluding the Medicaid portion of children's health) was reduced by \$10.9 billion over the period 1998 to 2002. The children's health initiative provisions in the BBA cost \$23.9 billion over the 1998 to 2002 period.

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SPENDING SUMMARY (\$ billions)

		1998	1999	2000	2001	2002	2003
Chairman's Mark	BA	136.2	145.8	152.6	161.5	170.1	181.2
	OT	132.0	143.7	151.6	160.4	169.9	181.1
BBA	BA	136.2	142.5	149.4	157.1	164.3	175.1
	OT	132.0	141.5	149.3	156.9	165.2	176.0
Freeze Baseline	BA	136.2	144.1	151.1	159.0	166.5	176.6
	OT	132.0	142.8	150.7	158.7	167.3	177.4
Chairman's Mark compared to:							
BBA	BA	--	+3.4	+3.2	+4.4	+5.8	+6.1
	OT	--	+2.2	+2.3	+3.5	+4.7	+5.1
Freeze Baseline	BA	--	+1.7	+1.5	+2.5	+3.6	+4.6
	OT	--	+0.9	+0.9	+1.7	+2.6	+3.7

DESCRIPTION OF CHAIRMAN'S MARK

The Chairman's Mark assumes discretionary spending of \$28.1 billion in BA and \$27.0 billion in outlays in 1999. This represents an increase of \$1.7 billion in BA and \$1.8 billion in outlays over 1998 funding, a 6.6 percent and 6.9 percent increase, respectively.

- ▶ The Chairman's Mark assumes funding for the **National Institutes of Health** in 1999 of \$15.1 billion in BA and \$13.9 billion in outlays. This funding level represents an 11 percent increase in 1999, on top of the 7 percent increase provided in 1998. Over the period 1999 to 2003, the Mark assumes providing NIH with \$15.5 billion in BA and \$11.2 billion in outlays above a freeze baseline.
- ▶ The Chairman's Mark assumes \$125 million in BA and \$38 million in outlays for a **teen smoking prevention and cessation** initiative in 1999. Over five years, the mark assumes \$0.8 billion in BA and \$0.6 billion in outlays for this initiative. The protocol negotiated last year by the States Attorney's General assumed a similar level of federal funding for teen smoking prevention.

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The Chairman's Mark assumes reductions below the freeze baseline in a number of programs.

- ▶ The Mark assumes the President's proposal to terminate funding for **health facilities construction** under the **Health Resources and Services Administration (HRSA)**. This termination would reduce spending by \$28 million in BA and \$14 million in outlays in 1999 compared to a freeze.
- ▶ The Mark also assumes the President's proposed reduction for the **Office of Inspector General (OIG)**, saving \$3 million in BA and \$2 million in outlays in 1999 compared to freeze.
- ▶ The Mark assumes combining numerous **Public Health Service programs** into a consolidated **State Public Health Block Grant** program. The block grant would give states substantial flexibility to improve public health by allocating their block grant resources to meet their particular needs. The block grant could include any number of different programs, particularly existing formula block grants, from the Health Resources and Services Administration, the Substance Abuse and Mental Health Services Administration, and the Centers for Disease Control. The Mark assumes 1999 savings from consolidation of \$0.3 billion in BA and \$0.1 billion in outlays below a freeze baseline.
- ▶ The Mark assumes consolidation of **health professions programs**, reduction and consolidation of research associated with **occupational safety and health**, and reduction in HHS overhead expenses, saving \$0.3 billion in BA and \$0.2 billion in outlays in 1999 compared to a freeze.
- ▶ The Mark does not assume the President's significant expansion of user fees to offset spending for the **Food Safety and Inspection Service** and the **Food and Drug Administration**.

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