

Fact Sheet on FY 2002 Budget Proposals

Department of Health and Human Services

The President's preliminary budget, entitled, "Blueprint for New Beginnings" contains several budget initiatives in the Department of Health and Human Services. This fact sheet provides a brief summary and critique of these proposals.

Mandatory Initiatives

Immediate Helping Hand (IHH) - The budget includes a proposal that appropriates \$45 billion to states over five years (2001-2005) to help them cover the costs of a drug benefit for low income beneficiaries and provide catastrophic coverage for all seniors with out-of-pocket drug spending in excess of \$6,000 a year. For seniors with incomes at or below 135 percent of the poverty rate the plan would cover the full premium and charge only nominal copayments. Individuals and couples with incomes between 135 percent and 175 percent of the poverty rate would receive premium subsidies of at least 50 percent. This program would take effect in 2001 and is funded through 2004 or upon implementation of a Medicare drug benefit as part of Medicare reform.

Critique. The President's IHH proposal fails to extend coverage to the nearly 25 million uncovered beneficiaries who do not qualify as low-income and would cover a relatively small percentage of the eligible population, based on current State program participation rates. Enrollment in state-run programs is suppressed due to a lack of awareness, the welfare stigma, and complicated enrollment procedures. In addition, some States may be reluctant participants. The National Governors Association adopted a policy last year that says: "If Congress decides to expand prescription drug coverage to seniors, it should not shift that responsibility or cost to the States." They believe that resources diverted to IHH will delay enactment of a comprehensive Medicare prescription drug benefit and States could be forced to pay for the program with their own resources.

Table 1: FY 2002 Mandatory Budget Proposals for HHS

(Outlays; \$ millions)	<u>2002</u>	<u>2002-06</u>	<u>2002-11</u>
Immediate helping hand	11,200	43,100	43,100
Medicare reform	0	21,100	109,900
Child Welfare preventative services	30	776	1,776
Charity State Tax Credit, TANF outlays	0	850	0
Medicaid savings proposals (UPL)	-606	-6,876	-17,374

Medicare reform. The Bush budget includes an additional \$110 billion to pay for Medicare reform and a comprehensive prescription drug benefit. There is no description of specific reform proposals except to say that reform should be based on principles that guarantee access to seniors, provide a choice of health plans including one that covers prescription drugs, cover expenses for low-income seniors, provide streamlined access to the latest medical technologies, establish an accurate measure of the solvency of Medicare; and forgo increases in the Medicare payroll tax.

Critique. A \$153 billion drug benefit (that assumes a combination of IHH and reform dollars) would be significantly underfunded compared to other plans. Current proposals (updated roughly for population and medical inflation) range from a low of \$213 billion for the House-passed bill to \$448 billion for the prior administration's plan. The cost of covering *only the low-income population* over the next ten years is approximately \$180 billion.

Expanded Health Insurance Coverage. The President's proposal for expanding health coverage consists of two parts. First, the budget would increase Community Health Centers funding by \$124 million as part of an initiative to increase the number of center sites by 1,200. While increasing community health centers is a laudable goal, it will not provide an immediate helping hand to those families burdened with huge medical bills. The budget also includes a new tax credit to allow individuals and families who do not have access to employer-sponsored insurance to purchase insurance. Though the budget is silent on details, then-Governor Bush's campaign documents described the health tax credit proposal as providing a \$2,000 health credit per family (\$1,000 for individuals).

Critique. Given that the average cost of a family health plan is more than \$6,300, the tax credit would be too low for working poor families to use. *As some in the health community have said, providing such a small tax credit is like "giving someone a ten-foot rope to get out of a thirty-foot ditch."* Instead of building on the success of Medicaid and SCHIP and using those programs to help extend coverage to the uninsured, the Bush budget would use the tax code to help expand health coverage in the hopes of minimizing government involvement. Since the working poor need money in advance to buy health coverage, tax refunds provided at the end of the year would do little good for these families and would minimize the effectiveness of the tax approach. The Bush proposal may encourage individuals to substitute taxpayer funds for health coverage already being paid for through private funds.

Medicaid. The budget also includes a proposal to achieve \$17 billion in savings in Medicaid spending over ten years by "tightening" further the federal regulation preventing state abuse of the Medicaid upper payment limit (UPLs).

Critique. These savings would **NOT** be reinvested into the Medicaid program to expand coverage for the uninsured, but would be used to help fund unrelated budget items.

Discretionary Initiatives

The following are some discretionary initiatives included in the Bush budget. Though many initiatives are worthwhile, it is unclear how the Bush budget pays for them since the overall increase in the HHS budget is \$2.8 billion – the same increase slated for NIH.

National Institutes of Health (NIH). For 2002, the budget increases NIH funding by \$2.8 billion over the 2001 funding level. This increase is the fourth installment in a five-year commitment to doubling the NIH budget relative to the 1998 level. Although it is a substantial increase for NIH, it falls short of the \$3 billion increase necessary to meet the goal of doubling funding in five years.

Table 2: FY 2002 Discretionary Budget Proposals for HHS

(Budget authority; \$ millions)	<u>Change</u>
Total increase in HHS budget from 2001 to 2002	+2,800
<u>Adds above last year's level</u>	
NIH	+2,800
Community Health Centers	+124
Drug treatment programs	+111
Healthy communities Innovation Fund	+400
Safe and stable families/training vouchers	+260
After school certificates	+400
Promoting responsible fatherhood	+64
Maternity group homes	+33
Support for charitable organizations	<u>+89</u>
Subtotal, specified adds	\$4,281
<u>Cuts below last year's level</u>	
Community access programs	-125
Unspecified cuts from last year's level	\$1,346

Community Health Centers. The budget would increase community Health Centers funding by \$124 million as part of an initiative to increase the number of community health center sites by 1,200.

Reforming the National Health Service Corps (NHSC). The budget proposes to examine the ratio of scholarships to loan repayments, as well as other set-asides, to provide maximum flexibility in placing NHSC providers.

Substance Abuse Treatment. The budget provides an additional \$111 million to increase the availability of substance abuse treatment services. Included in this amount is \$100 million for the Substance Abuse and Mental Health Services Administration to help close the treatment gap. The increase includes \$60 million to help states finance treatment to those in need through the Substance Abuse Block Grant, and an additional \$40 million through the Targeted Capacity Expansion grants designed to support a rapid, strategic response to emerging trends in substance abuse.

Health Communities Innovation Fund. The budget allocates approximately \$400 million in 2002 funding for existing grant activity for innovations at the local level, including programs to promote comprehensive care through integrated state health care delivery systems for women and children.

Safe and Stable Families. The budget proposes a \$200 increase over the 2001 level for the Promoting Safe and Stable Families program and also includes a \$60 million increase for education and training vouchers to youth who age out of foster care.

After School Certificates. The budget proposes a new \$400 million after school certificate program within the Child Care Development Block Grant (CCDBG), raising total funding to \$2.2 billion. Part of the \$400 million will be funded with existing CCDBG funds.

Responsible Fatherhood. The budget provides \$64 million in 2002 (\$315 million over five years) to strengthen the role of fathers in the lives of families. This initiative will provide competitive grants to faith-based and community organizations that help unemployed or low-income fathers and their families avoid or leave cash welfare.

Maternity Group Homes. The budget recommends providing \$33 million in 2002 for maternity group homes, which are community-based, adult supervised group homes or apartment clusters for teenage mothers and their children.

Charitable Giving. The budget proposes three initiatives to ensure that the Federal government plays a larger role in providing support to charitable organizations. A compassion capital fund will provide start-up capital and operating funds totaling \$67 million in 2002 to qualified charitable organizations that wish to expand or emulate model programs. In addition, a \$22 million national fund will support and promote research on “best practices” among charitable organizations in 2002. The budget also proposes to allow states to use Temporary Assistance for Needy Families funds to encourage states to create state tax credits for contributions to designated charities.

Discretionary cuts. The budget increases funding for NIH by \$2.8 billion between 2001 and 2002 which is exactly the increase in the Department’s budget for discretionary programs. This means that any other program increases would have to be offset by cuts and freezes in other programs. Programs not protected from cuts in this budget include: Ryan White AIDS grants, maternal and child health, Centers for Disease Control, the Food and Drug Administration, meals on wheels, child immunization initiative, family programs, health care for the homeless, and other priorities.

Prepared by Senate Budget Committee Democratic Staff

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