

**NLWJC - Kagan**

**DPC - Box 005 - Folder 011**

**Budget Materials - FY2000 Health**

## FY 2000 President's Budget Health Mandatory Proposals

(\$ in billions, numbers may not add due to rounding)

	2000	2000-2004
<b>Health Initiatives</b>	<b>1.31</b>	<b>13.93</b>
<i>Medicare Buy-In (FY 99 PB)</i>	0.00	1.44
<i>Disability Policy (Jeffords/Kennedy)</i>	0.02	0.89
<i>Cancer Clinical Trials (FY 99 PB)</i>	0.01	0.75
<i>Covering Children</i>	0.11	1.62
<i>Public Health Infrastructure Initiative</i>	0.00	1.00
<i>HHS Discretionary</i>	1.10	7.70
<i>Other Mandatory (including restoring Medicaid coverage for immigrants,     low-income Long Term Care eligibility expansion)</i>	0.07	0.54
<b>Health Offsets</b>	<b>-1.30</b>	<b>-14.05</b>
<i>Medicare Program Integrity (FY 99 PB)</i>	-0.21	-2.54
<i>Hospital Market Basket Reduction</i>	-0.65	-3.88
<i>Medicaid Cost Allocation</i>	-0.06	-1.20
<i>Other Medicare/Medicaid Mandatory</i>	-0.38	-2.83
<i>Other Mandatory Offsets</i>	0.00	-3.60
<b>TOTAL</b>	<b>0.01</b>	<b>-0.12</b>

**DRAFT: HEALTH CARE  
USES OF FUNDS FOR THE FY 2000 BUDGET**

(Dollars in billions, fiscal years)

DISCRETIONARY	Requests	OMB	HHS	WH	COMMENTS
	2000	Passback 2000	Appeal 2000	Priorities 2000	
Bioterrorism	0.370	0.152	+ 0.218	+ 0.090	High priority
Superbug	0.020	0.000		+ 0.010	High priority
AoA Caregiver Program	0.150	0.010	+ 0.140	+ 0.140	Needed for LTC initiative
Nursing Home Quality	0.100	0.035	+ 0.013	+ 0.100	GAO investigation underway/ need \$
Medicare LTC Education	0.025	0.000		+ 0.025	Needed for LTC initiative
AIDS: Ryan White	0.100	0.072		+ 0.050	OMB funding only minimum
AIDS: CBC Initiative	0.100	0.000	+ 0.050	+ 0.050	Needed for CBC
Race & Health	0.080	0.000	+ 0.103	+ 0.050	High priority
Mental Health	0.100	0.000	+ 0.116	+ 0.100	VP priority
Asthma (only EPA funds)	0.025	0.000	+ 0.050	+ 0.025	Funded through EPA/maybe Medicaid
Medicaid de-institut. grant	0.050	0.000	+ 0.038		Other disability policies should be enough
Rural emergency services	0.050	0.000		+ 0.025	POTUS interest/possible mandatory
FDA, Food Safety	0.550	0.127	+ 0.263	+ 0.050	Need \$50 m for food safety
Native Americans	0.500	0.175	+ 0.205		Probably OK
Children's GME	0.150	0.000		+ 0.040	FLOTUS priority
DoD Cancer, osteoporosis					Want \$200 million of DoD increase
Biomedical Research	0.500	0.049	+ 1.500		Problem that won't go away
<b>TOTAL</b>	<b>2.870</b>	<b>0.620</b>	<b>+ 2.696</b>	<b>+ 0.755</b>	

  

MANDATORY	Requests	OMB	Additions/ Priorities	COMMENTS
	2000-04	Passback 2000-04		
Jeffords-Kennedy	1.200	1.200		
Medicare Buy-In	1.700	0.000	+ 1.700	POTUS interest
Cancer Clinical Trials	0.750	0.000	+ 0.750	VP priority
Medicaid disability option	0.110	0.110		Important to disability community
Medicaid for Foster Kids	0.050	0.050		FLOTUS priority
Legal Immigrant Kids	0.100	0.100		Last year's proposal
CHIP Territories	0.100	0.100		" "
QMB Low-Income Reforms	0.000	0.000		Depending on baseline, budget neutral
Kids' Outreach	0.000	0.000		" "
<b>TOTAL</b>	<b>4.010</b>	<b>1.560</b>	<b>+ 2.450</b>	

**DRAFT: HEALTH CARE  
SOURCES OF FUNDS: FY 2000 BUDGET OPTIONS**

	OMB LIST		COMMENTS
	2000	5 Years	
<b>For Discretionary Programs</b>			
DRG Payments	0.084	0.420	Somewhat controversial
Single Fee for Surgery	0.140	0.760	Somewhat controversial
Lab Fees	0.030	0.190	Can only have 1 Lab policy (see below)
Hospice Double Payment	0.060	0.360	Very controversial
Reducing Prosthetics & Orthotics	0.090	0.470	Very controversial/contrary to disability init.
Reducing Enteral Nutrients	0.030	0.150	Very controversial
<b>Subtotal</b>	<b>0.434</b>	<b>2.350</b>	
MIP/ Flatlining Fraud **	0.090	0.990	Contrary to fraud efforts
Bad Debt Payment Reductions	0.160	1.490	Dropped from Omnibus: very controversial
Hospital Update Reduction	0.250	4.600	Viable but controversial/ should lower amt.
DSH Reduction or Medicaid Admin **	0.150	1.770	Not good policy
IME reform **	0.300	2.000	Ahead of Commission/ not for this year
<b>Subtotal</b>	<b>0.950</b>	<b>10.850</b>	
<b>TOTAL</b>	<b>1.384</b>	<b>13.200</b>	
<b>For Mandatory Programs</b>			
Cost Allocation			
With TANF Prohibition	0.295	1.900	Very controversial/bad policy
Without TANF Prohibition	0.050	1.000	Better but still difficult
Last Year's Program Integrity		2.300	OK
20% Lab Coinsurance for lower prevent. copays		0.300	Ahead of Commission/one 1 Lab policy
Medicaid Generics		0.100	Slightly controversial
Technical Fix to Medicare SGR (physicians)		0.300	OK
<b>TOTAL</b>		<b>5.900</b>	

\*\* OMB may drop on its own.

Elena - 

**STATUS OF HEALTH BUDGET IDEAS IN PASSBACK, 11/23/98**  
*(Italics indicate discretionary funding)*

Will need to  
 describe  
 by push →  
 check  
 out →  
 worth →  
 pushing

NEW IDEAS	PASSBACK STATUS	REMARKS
<b>1. LONG-TERM CARE</b>		
Long-term care tax credit	NA	
Offering private long-term care insurance to Federal employees	NA	
<i>Family Caregiver Support Program (new Administration on Aging grants)</i>	<i>Will fund this new program but only at \$10 million -- much lower than the requested \$150 million</i>	<i>Necessary to attract aging network to support our long-term care policies. Without full funding cannot support programs in all states. VP will be ally.</i>
<i>Nursing home quality initiative (HHS has asked for \$100 million)</i>	<i>Will fund at a lower level, partially through politically problematic user fees</i>	<i>May need more money to attract validators. Ask if user fees are really viable.</i>
<i>Educating Medicare beneficiaries about long-term care alternatives</i>	<i>Support idea but not sure about any funding (asking \$25 million)</i>	<i>Low-cost activity worth the effort; shows we are not counting on Medicare to expand.</i>
<b>2. DISABILITY</b>		
Jeffords-Kennedy Work Incentives Improvement Act	Included in passback	
Tax credit for people with disabilities	NA	
Medigap reform for people with disabilities	No cost / included in passback	
<i>Funds for Medicaid de-institutionalization demonstration (\$50 million)</i>	<i>Rejected by OMB</i>	<i>Issue is major priority for activists but might not be worth the fight since they may well think our base proposal is too modest, let alone any compromise with OMB</i>
<b>3. MODERNIZING MEDICARE</b>		
Adopting private sector, competitive pricing strategies	Included in passback	
Reducing Medicare fraud and overpayment	Included in passback	
Prescription drug coverage for Medicare beneficiaries	OMB is considering some type of limited state grant proposal	Worth considering, but may expose us to criticism that we gave up on a real Medicare drug benefit and are undermining those that want one

NEW IDEAS	PASSBACK STATUS	REMARKS
Protecting Medicare beneficiaries from HMO withdrawals	No cost / included in passback	
Redesigning and increasing enrollment in Medicare's premium assistance program	No cost / likely to included in passback	
Cancer clinical trials demonstration	Rejected unless funded by tobacco.	VP priority. He'll need to fight to get in budget.
<i>Bringing children's hospitals into parity with all other hospitals training future doctors (could be discretionary or capped mandatory)</i>	<i>Rejected</i>	<i>FLOTUS priority, need to fight to get in budget. Because of financial well-being of children's hospitals, OMB opposes. There is a viable equity argument here.</i>
<b>4. HEALTH INSURANCE COVERAGE EXPANSIONS</b>		
Grants and/or tax incentives for small business purchasing coalitions	Do not know status; hoping for at least \$50 million	Please check status.
Children's health insurance outreach	Probably included, but in a budget-neutral form	Appears acceptable
Medicaid extension for foster children	Likely included in passback	FLOTUS priority. We should support.
Health coverage options for people ages 55 to 65	Rejected	Moynihan & Gephardt have indicated that they will introduce this; could seem strange if we do not. President still seems interested.
<b>5. PUBLIC HEALTH / UNDERSERVED POPULATIONS</b>		
<i>Fighting bioterrorism (\$100 million)</i>	<i>Included in passback as part of a larger public health initiative</i>	<i>Probably ok but you may want to confirm adequacy for this and the super-bug initiative</i>
<i>Combating resistant to anti-biotics (super bug) (\$20 million)</i>	<i>Subsumed in bioterrorism initiative</i>	<i>See above</i>
<i>Investing in biomedical research (\$500 million plus)</i>	<i>Very small increase in funding</i>	<i>Assume that VP will demand much higher discretionary funding, supplemented by tobacco</i>
<i>New initiative to prevent and treat asthma (\$25-50 million)</i>	<i>Accepted EPA increase in funding</i>	<i>Check to see if any public health or Medicaid money available -- EPA only funding is insufficient</i>

HRC  
↳

Needs  
Push

NEW IDEAS	PASSBACK STATUS	REMARKS
<i>Needs push</i> President's Race & Health Initiative for targeted diseases with serious disparities in incidence / outcomes (\$80 m)	No new money but earmarked \$50 million from new CHC funds	Needs new money; will not be viewed as credible without it
<i>Needs push</i> Investment in mental health services and substance abuse treatment (\$5-100 million)	No new money / probably a net cut if you include all mental health budget categories	Presents a political problem since mental health is viewed as chronically underfunded & VP and Tipper are hosting 1999 conference
Improving access to promising HIV/AIDS drugs	Increase in overall Ryan White funds of \$70-80 m.	We probably will need a bit more -- total to about \$100 million or so
Heart disease initiative (\$20 m.)	Do not know status	Please check status
Investing in DoD breast cancer / prostate cancer, osteoporosis programs (\$250 million) <i>should take advantage of</i>	Do not know status. Check funding of previous years.	Please check status. We have never put money into this account. If DoD gets big increase, we may as well fund some of our priority disease research here (we have more control over this money).
<i>Needs push</i> Rural emergency system proposal to sustain viability of health care facilities (\$50 million)	Probably rejected ?	We need to fight to include something in the budget.
Enhancing drug approvals, food safety and other FDA priorities	Included, but not anywhere near the request, two user fees fund devices & food initiatives	Apparently not a bad number; let HHS push if they want more. User fee structure if very good.
Improving health for medically underserved Native Americans (\$500 million)	\$175 million increase, which is large relative to virtually all other discretionary items but less than the amount it says is needed for basic health	Mary Smith recommends at least \$225 million

**Items recommended by OMB / not on our list:**

- **Medicaid cost allocation:** \$2 billion in savings over 5 years from recapturing an overpayment in Medicaid administrative costs. This was in last year's budget and was almost included in the Omnibus Bill but was rejected. Somewhat legitimate policy concerns have been raised by states and advocates about both the mechanism for recapturing this money (i.e., the prohibition on using TANF funds for administrative costs) and the other demands that we are placing on administrative costs in states (e.g., children's health outreach, better enforcement of nursing home standards). **Probably very big mistake to include again, particularly if there can be no draw down from TANF.**
- **Reduction in Medicare hospital payments.** There is growing evidence that Medicare is overpaying hospitals, even with the reductions made by the BBA. However, it is not clear whether this evidence justifies the politically painful act of cutting hospital payments. We are still reviewing the feasibility and advisability. If we use, however, need validation from independent source.