

Statement by
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on
The President's Fiscal Year 2016 Budget
before
Committee on Finance
United States Senate

Wednesday February 4, 2014

Chairman Hatch, Ranking Member Wyden, and Members of the Committee, thank you for the opportunity to discuss the President's FY 2016 Budget for the Department of Health and Human Services (HHS).

The Department has made historic strides towards ensuring that all Americans can lead healthy and productive lives. Today, thanks to the Affordable Care Act (ACA), middle class families have more security, and many of those who already had insurance now have better coverage. In the past year alone, about 10 million uninsured Americans finally gained health insurance. In the private market, millions more now have access to expanded coverage for preventive health care services, such as a mammogram or flu shot, without cost sharing. At the same time, as a nation we are spending our health care dollars more wisely and starting to receive higher quality care.

In part due to the ACA, households, businesses, and the Federal Government are now seeing substantial savings. Today, health care cost growth is at exceptionally low levels, and premiums for employer sponsored health insurance are about \$1,800 lower per family on average than they would have been had trends over the decade that preceded the ACA continued. Across the board, the Department has continued its commitment to the responsible stewardship of taxpayer dollars through investments in critical management priorities. We have strengthened our ability to combat fraud and abuse and advance program integrity, further driving savings for the taxpayer while enhancing the efficiency and effectiveness of our programs.

The Department has done important work addressing historic challenges, including the coordinated whole-of-government responses to Ebola both here at home and abroad and to last year's increase in unaccompanied children crossing the Southwest border into Texas.

The President's FY 2016 Budget for HHS builds on this progress through critical investments in health care, science and innovation, and human services. The Budget proposes \$83.8 billion in discretionary budget authority, an increase of \$4.8 billion from FY 2015 appropriations. This additional funding will allow the Department to make the investments that are necessary to serve the millions of American people who count on our services every day, while laying the foundation for healthier communities and a stronger economy for the middle class in the years to come. The Budget also further strengthens the infrastructure needed to prevent, prepare for, and respond to future challenges effectively and expeditiously.

The Department's Budget request recognizes our continued commitment to balancing priorities within a constrained budget environment through legislative proposals that, taken together, would save the American people a net estimated \$228.2 billion in HHS programs over 10 years. The Budget builds on savings and reforms in the ACA with additional measures to strengthen Medicare and Medicaid, and to continue the historic slow-down in health care cost growth. Medicare proposals in our Budget, for example, more closely align payments with the costs of providing care, encourage health care providers to deliver better care and better outcomes for their patients, improve access to care, and create incentives for beneficiaries to seek high value services.

Providing all Americans with Access to Quality, Affordable Health Care

The President's FY 2016 Budget request builds on progress made to date by focusing on access, affordability, and quality – goals that we share with Congress and hope to work on together, in partnership, moving forward. The Budget also continues to make investments in Federal public health and safety net programs to help individuals without coverage get the medical services they need, while strengthening local economies.

Expanding Options for Consumers through the Health Insurance Marketplaces. The ACA is making quality, affordable health coverage available to millions of Americans who would otherwise be uninsured. As of mid-January more than 9.5 million consumers selected a plan or were automatically re-enrolled through the Health Insurance Marketplaces for coverage in 2015. At the same time, consumers are seeing more choice and competition. There are over 25 percent more issuers participating in the Marketplace in 2015 compared to 2014. Not only that, in 2015, nearly 8 in 10 Federal Marketplace customers can get coverage for \$100 or less per month after applicable tax credits.

Partnering with States to Expand Medicaid for Low-Income Adults. The ACA provides full Federal funding to cover newly eligible adults in states that expand Medicaid up to 133 percent of the Federal poverty level through 2016, and covers no less than 90 percent of costs thereafter. This increased Federal support has enabled 28 states and the District of Columbia to expand Medicaid coverage to more low-income adults. Just recently we saw another state, Indiana, join us to bring much needed access to health care coverage to a state-estimated 350,000 uninsured low-income residents. Across the country, as of November 2014, over 10.1 million additional individuals are now enrolled in Medicaid and CHIP compared to the fall of 2013. As Secretary, I am personally committed to working with Governors across all 50 states to expand Medicaid in ways that work for their states, while protecting the integrity of the program and those it serves.

Extending the Children's Health Insurance Program. The Budget includes an additional four years of funding for CHIP through FY 2019 to provide comprehensive and affordable coverage for children and families across the United States. This extension will help bring stability to state budgets and continuity of coverage for children. We believe there is bipartisan support for CHIP and look forward to working with Congress to extend this program for the millions of children who depend upon it.

Improving Access to Health Care for American Indians and Alaska Natives (AI/AN).

Reflecting the President's commitment to improving health outcomes across tribal nations, the Budget includes \$6.4 billion for the Indian Health Service to strengthen programs that serve over 2.2 million American Indians and Alaska Natives at over 650 health care facilities across the United States. The request fully funds estimated Contract Support Costs in FY 2016 and proposes to modify the program in FY 2017 by reclassifying it as a mandatory appropriation, creating a longer-term solution.

Bolstering the Nation's Health Workforce. The Budget includes a \$14.2 billion investment in our Nation's health care workforce to improve access to healthcare services, particularly in rural and other underserved communities. That includes support for over 15,000 National Health Service Corps clinicians, who will serve the primary care, mental health, and dental needs of nearly 16 million patients in high-need areas across the country. The Budget also creates new funding for graduate medical education in primary care and other high-need specialties, which will support more than 13,000 residents over 10 years, and advance the Administration's goal of higher-value healthcare that reduces long-term costs.

To continue encouraging provider participation in Medicaid, the Budget invests \$6.3 billion to extend the enhanced Medicaid reimbursement rate for primary care services, and makes strategic investments to encourage primary care by expanding eligibility to obstetricians, gynecologists, and non-physician practitioners. A January 2015 study by University of Pennsylvania and Urban Institute researchers found that the share of Medicaid enrollees who successfully got appointments with primary care providers grew by nearly 8 percentage points between 2012 and 2014, when the program was fully implemented. The Budget also supports the provision of primary care services in the Medicare program by permanently incorporating the temporary 10 percent primary care incentive payment program into the Medicare physician fee schedule.

Investing in Health Centers. Health centers are an essential primary care provider for America's most vulnerable populations, serving 1 out of every 15 Americans while reducing the use of costlier care through emergency departments and hospitals. The Budget includes \$4.2 billion for health centers, including \$2.7 billion in mandatory resources, to serve approximately 28.6 million patients in FY 2016 at more than 9,000 sites in medically underserved communities throughout the country.

The Department's requests for health centers and the National Health Service Corps are vitally important, as the existing mandatory funding streams for these programs end in 2015. Without renewed funding in 2016 and beyond, millions of Americans may lose access to essential cost-effective primary care services provided through our Nation's health centers, and efforts to ensure provider access in underserved rural and urban areas across the country through the National Health Service Corps will come to a halt.

Delivering Better Care and Spending our Health Care Dollars Wisely

If we find better ways to deliver care, pay providers, and distribute information, we can receive better care and spend our dollars more wisely, all the while supporting healthier communities

and a stronger economy. To build on and drive progress on these priorities, we are focused on the following three key areas:

Improving the Way Care is Delivered. The Administration is focused on improving the coordination and integration of health care, engaging patients more fully in decision-making, and improving the health of patients – with an emphasis on prevention and wellness. HHS believes that incentivizing the provision of preventive and primary care services will improve the health and wellbeing of patients and slow cost growth over the long run through avoided hospitalizations and additional office visits. The Administration’s efforts around patient safety and quality have made a difference – reducing hospital readmissions in Medicare by nearly eight percent, translating into 150,000 fewer readmissions between January 2012 and December 2013 and reducing hospital patient harm by 17 percent from 2010 to 2013, saving 50,000 lives and \$12 billion in health spending according to preliminary estimates.

Improving the Way Providers are Paid. The Administration is testing and implementing new payment models that reward value and care coordination – rather than volume. HHS has seen promising results on cost savings with alternative payment models: already, existing Accountable Care Organizations (ACOs) programs have generated combined total program savings of \$417 million to Medicare. To shift Medicare reimbursement from volume to value, and further drive progress in the health care system at large, the Department has announced its goal of tying 30 percent of traditional, or fee-for-service, Medicare payments to quality or value through alternative payment models by 2016 and 50 percent by 2018.

The Budget supports progress in this area by including proposals targeted at changing provider incentives and payment mechanisms. For example, the Budget puts Medicare’s payments to physicians on solid ground by replacing Medicare’s flawed Sustainable Growth Rate formula. The Budget would establish new annual physician payment updates to provide certainty and consistency to providers; create incentives for providers to participate in proven alternative payment models like ACOs; and streamline other value-based incentives. The Administration supports a long-term policy solution to fix the SGR and applauds the bipartisan, bicameral efforts that Congress undertook last year. The Administration looks forward to working with Congress to build on that effort and reform Medicare physician payments in a fiscally responsible manner.

Improving the Way Information is Distributed. The Administration is working to create transparency of cost and quality information and to bring electronic health information to the point of care – enabling patients and providers to make the right decisions at the right time to improve health and care. The Centers for Medicare and Medicaid Services (CMS) is making major strides to expand and improve its provider compare websites, which empower consumers with information to make more informed health care decisions, encourage providers to strive for higher levels of quality, and drive overall health system improvement. To improve communication and enhance care coordination for patients, the FY 2016 Budget also includes a substantial investment (\$92 million) in efforts supporting the adoption, interoperability, and meaningful use of electronic health records.

Leading the World in Science and Innovation

Investments in science and innovation have reshaped our understanding of health and disease, advanced life-saving vaccines and treatments, and helped millions of Americans live longer, healthier lives. With the support of Congress, there is more that we can do together. The President's FY 2016 Budget request lays the foundation to maintain our Nation's global edge in medical research. This Budget for NIH supports ongoing research and provides real investments in innovative science.

Advancing Precision Medicine. The FY 2016 Budget includes \$215 million for the Precision Medicine Initiative, a new cross-Department effort focused on developing treatments, diagnostics, and prevention strategies tailored to the genetic characteristics of individual patients. This effort includes \$200 million for the National Institutes of Health (NIH) to launch a national research cohort of a million or more Americans who volunteer to share their information, including genetic, clinical and other data to improve research, as well as to invest in expanding current cancer genomics research, and initiating new studies on how a tumor's DNA can inform prognosis and treatment choices. The Department will also modernize the regulatory framework to aid the development and use of molecular diagnostics, and develop technology and define standards to enable the exchange of data, while ensuring that appropriate privacy protections are in place. With the support of Congress, this funding would allow the Department to scale up the initial successes we have seen to date and bring us closer to curing the chronic and terminal diseases that impact millions of Americans across the country.

Supporting Biomedical Research. The FY 2016 Budget includes \$31.3 billion for NIH, an increase of \$1 billion over FY 2015, to advance basic biomedical and behavioral research, harness data and technology for real-world health outcomes, and prepare a diverse and talented biomedical research workforce. This research is critical to maintaining our country's leadership in the innovation economy, and can result in life-changing breakthroughs for patients and communities. For example, that NIH estimates it will be able to spend \$638 million under this Budget request on Alzheimer's research, an increase of \$51 million over FY 2015, which will position us to drive progress on recent advances in our understanding of the genetics and biology of the disease, including drugs currently in clinical trials, and those still in the pipeline.

Ensuring the Building Blocks for Success at Every Stage of Life

As part of the President's plan to bolster and expand the middle class, the Budget includes a number of proposals that help working Americans meet the needs of their families – including young children and aging parents.

Investing in Early Learning. High-quality early learning opportunities both promote children's healthy development and support parents who are balancing work and family obligations. Across the United States, many American families face real difficulties finding and affording quality child care and early education. In 2013, the average cost of full-time care for an infant at a child care center was about \$10,000 per year – higher than the average cost of in-state tuition and fees at a public 4-year college. The Budget outlines an ambitious plan to make affordable, quality child care available to every low-income and middle-class family with young children; to

expand access to high-quality early learning opportunities through the Head Start and Early Head Start programs; and to invest in voluntary, evidence-based home visiting programs that have been shown to leave long-lasting, positive impacts on parenting skills, children's development, and school readiness. These investments complement proposals at the Department of Education to provide high-quality Preschool to all four year olds from low- and moderate-income families and expand programs for middle-class children as well.

The President's child care proposal builds on the reforms passed by Congress in the bipartisan reauthorization of the Child Care and Development Block Grant enacted last fall. The proposal makes a landmark investment of an additional \$82 billion over 10 years in the Child Care and Development Fund (CCDF), which by 2025 would expand access to more than 1 million additional children under age four, reaching a total of more than 2.6 million children. At the same time, the proposal provides resources to help states raise the bar on quality, and design programs that better serve families facing unique challenges in finding quality care, such as those in rural areas or working non-traditional hours.

The Budget includes an additional \$1.5 billion above FY 2015 to improve the quality of Head Start services and expand access to Early Head Start, including through Early Head Start – Child Care Partnerships. The proposal will ensure that all Head Start programs provide services for a full day and full-school year and increase the number of infants and toddlers served in high-quality early learning programs. It will also ensure that program funding keeps pace with inflation and that the program can restore enrollment back to the 2014 level.

The Budget also proposes \$15 billion over ten years to extend and expand access to evidence-based home visiting programs building on research showing that home visits by a nurse, social worker, or other professional during pregnancy and in the early years of life can significantly reduce child abuse and neglect, improve parenting, and promote child development and school readiness.

Research by the President's Council of Economic Advisors indicates that investments in high-quality early education generate economic returns of over \$8 for every \$1 spent. Not only that, studies show high-quality early learning programs result in better outcomes for children across the board – with children more likely to do well in school, find good jobs and greater earnings, and have fewer interactions with the criminal justice system. These programs also strengthen parents' abilities to go to work, advance their career, and increase their earnings. That is why the Administration has outlined a series of measures, including tax cuts for working families, to advance our focus on improving quality, while also dramatically expanding access.

Supporting Older Adults. The number of older Americans age 65 and older with severe disabilities – defined as 3 or more limitations in activities of daily living – that are at greatest risk of nursing home admission, is projected to increase by more than 20 percent by the year 2020. With 2015 marking the year of the White House Conference on Aging, the Department's Budget request makes investments to address the needs of older Americans, many of whom require some level of assistance to continue living independently or semi-independently within their communities. The Budget includes common-sense reforms that help to protect older Americans

from identity theft, while supporting family caregivers and expanding options for home and community-based services and supports.

Improving Child Welfare. The Department's Budget also proposes several improvements to child welfare programs that serve children who have been abused and neglected or are at risk of maltreatment. The Budget includes a proposal that has generated bipartisan interest that would provide \$750 million over five years for an innovative collaboration between the Administration for Children and Families (ACF) and CMS that would assist states to provide evidence-based interventions to youth in the foster care system to reduce the over-prescription of psychotropic medications. There is an urgent need for action: ACF data show that 18 percent of the approximately 400,000 children in foster care were taking one or more psychotropic medications at the time they were surveyed. It also requests \$587 million over ten years in additional funding for prevention and post-permanency services for children in foster care, most of which must be evidence-based or evidence-informed. It includes savings of \$69 million over ten years to promote family-based foster care for children with behavioral and mental health needs, as an alternative to congregate care, and provides increased oversight of congregate care when such placements are determined to be necessary.

Keeping Americans Healthy

The President's FY 2016 Budget strengthens our public health infrastructure, invests in behavioral health services, and prioritizes other critical health issues.

Investing in Domestic and International Public Health Preparedness. The health of people overseas directly affects America's safety and prosperity, with far-reaching implications for economic security, trade, the stability of foreign governments, and the well-being of U.S. citizens abroad and at home. The Budget includes \$975 million for domestic and international public health preparedness infrastructure, including an increase of \$12 million for Global Health Security Agenda implementation to build the capacity for countries to detect and respond to potential disease outbreaks or public health emergencies and prevent the spread of disease across borders.

As new infectious diseases and public health threats emerge, HHS continues to invest in efforts to bolster the Nation's preparedness against chemical, biological, nuclear, and radiological threats. This includes a \$391 million increase for Project BioShield to support procurements and replenishments of new and existing countermeasures and to advance final stage development of new products, and to replace expiring countermeasures and maintain current preparedness levels in the Strategic National Stockpile.

Combating Antibiotic Resistant Bacteria. The Centers for Disease Control and Prevention estimates that each year at least two million illnesses and 23,000 deaths are caused by antibiotic-resistant bacteria in the United States alone. The Budget nearly doubles the amount of federal funding for combating and preventing antibiotic resistance within HHS to more than \$990 million. The funding will improve antibiotic stewardship; strengthen antibiotic resistance risk assessment, surveillance, and reporting capabilities; and drive research innovation in the human health and agricultural sectors.

Addressing Prescription Drug and Opioid Misuse and Abuse. The misuse and abuse of prescription drugs impacts the lives of millions of Americans across the country, and costs the American economy tens of billions of dollars in lost productivity and increased health care and criminal justice expenses. In 2009, total drug overdoses overtook every other cause of injury death in the United States, outnumbering fatalities from car crashes for the first time. In 2012 alone, 259 million opioid prescriptions were written – enough for every American adult to have a bottle. As part of a new, aggressive, multi-pronged initiative, the Budget includes more than \$99 million in new funding this year in targeted efforts to reduce the prevalence and impact of opioid use disorders. The Budget also includes improvements in Medicare and Medicaid, including a proposal to require states to track high prescribers and utilizers of prescription drugs in Medicaid, which would save \$710 million over 10 years and bolster other efforts to reduce abuse of prescription drugs.

Leaving the Department Stronger

The FY 2016 Budget request positions the Department to most effectively fulfill our core mission by investing in a number of key management priorities that will strengthen our ability to combat fraud, waste, and abuse, strengthen program integrity, and enable ongoing cybersecurity efforts, among other areas.

Strengthening Program Integrity. The FY 2016 Budget continues to build on progress made by the Administration to eliminate excess payments and fraud. The Budget includes new investments in program integrity totaling \$201 million in FY 2016 and \$4.6 billion over ten years. This includes, for example, the continued funding of comprehensive efforts to combat health care fraud, waste, and abuse through prevention activities, improper payment reductions, provider education, audits and investigations, and enforcement through the full Health Care Fraud and Abuse Control (HCFAC) discretionary cap adjustment. This investment builds on important gains over the course of the past several years: from 2009 to 2013, programs supported by HCFAC have returned over \$19 billion in health care fraud related payments. Together, the Department’s proposed program integrity investments will yield \$22 billion in gross savings for Medicare and Medicaid over 10 years.

Reforming the Medicare Appeals Process. Between FY 2009 and FY 2014, the number of appeals received by the Office of Medicare Hearings and Appeals has increased by more than 1300%, which has led to a backlog that is projected to reach 1 million appeals by the end of FY 2015. The Department has undertaken a three-pronged strategy to improve the Medicare Appeals process: 1) Take administrative actions to reduce the number of pending appeals and prevent new cases from entering the system; 2) Request new resources to invest at all levels of appeal to increase adjudication capacity and implement new strategies to alleviate the current backlog; and 3) Propose legislative reforms that provide additional funding and new authorities to address the appeals volume. The FY 2016 Budget includes a comprehensive legislative package of seven proposals aimed both at helping HHS process a greater number of appeals and reducing the number of appeals filed and requests additional resources for CMS, OMHA, and the Departmental Appeals Board to enhance their capacity to process appeals.

Conclusion

Members of the Committee, thank you for the opportunity to testify today. The President's FY 2016 Budget request for HHS makes the investments critical for today while laying the foundation for a stronger economy for the middle class. I am looking forward to working closely with Congress and Members of this Committee on these priorities moving forward so that together we can best deliver impact for those we serve – the American people. I welcome any questions you may have.