

FY 2018 President's Budget May Signal Challenges for Health Programs on the Horizon

+Insights

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The Trump Administration released its budget for FY 2018 on May 23rd. Viewed as a guidance document for Agencies and Congress for policy and budgetary discussions, we can glean some insight into the Administration's plans for health programs.



The Trump Administration released its budget for FY 2018 on May 23rd, articulating its priorities for the year, and for the next several years. While many on Capitol Hill have concluded that it is “dead on arrival,” we should not dismiss it so quickly, as this budget proposal is the Administration's statement of its priorities and goals. The President's Budget is the primary vehicle to detail the Administration's policy priorities and vision for the country. Further, the Budget sets the precedent for future policy and budgetary discussions—fiscal year after fiscal year. Later this year when Appropriations Committees make their decisions about spending across federal programs, they will take the President's Budget into consideration, and determine whether they are able to accommodate aspects of the Administration's requests.

It is through this lens that we consider the request for health programs across the Department of Health and Human Services (HHS). One common theme that is clear in this budget is that the cuts to health programs are widespread, and in some cases severe. Here are key takeaways:

1. The Centers for Medicare and Medicaid Innovation or “Innovation Center” funding is increased by 9% to \$1.4 billion. The ACA appropriated \$10 billion over 10 years for the Innovation Center to test new payment and delivery models. The Innovation Center seems poised to spend an additional amount in FY 18 suggesting that ongoing demonstrations will continue. This may surprise some given the deep cuts throughout the rest of the HHS budget, as well as critiques of the Innovation Center from the new Secretary. But innovation is something this Administration has

touted as their preferred path to reform. Many of the demonstrations at the Innovation Center have had bipartisan support, and are spread throughout the country, garnering many stakeholders and supporters across the political spectrum. There are conversations about whether mandatory participation in these demonstrations is the right path, but there are no indications yet that demonstrations will be eliminated. Many hospitals, physician groups, and other entities participating in the myriad demonstrations under the Innovation Center's direction have invested heavily in their participation, and corporate leadership and boards would not want to lose their investments prematurely, nor would we want to lose the progress and savings already realized.

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likely to be in addition to the \$800B cuts in ACA Repeal

2. Medicaid funding is cut by \$610 billion over 10 years, and this is on top of \$800 billion in cuts due to ACA repeal. The Administration proposes to achieve Medicaid cuts through a combination of block grants and per capita caps, like those included in the Republican ACA repeal bill approved by the House on May 4th. To achieve these levels of cuts to the program, fewer people will be covered, and the amount per person will be much lower than required, and states would have to bear an untenable share of the costs of their Medicaid populations. State governors concerned with already-stressed Medicaid budgets given the costs of long-term care and other priorities should be concerned with this scenario.
3. Children's Health Insurance Program (CHIP) is extended by 2 years, but overall funding level will decrease by 20% in FY 2018. The Administration proposes to extend CHIP by another two years through 2019 to continue health insurance for about 8.5 million kids on the program. However, the Administration also proposes to end the enhanced federal rate of 23%, and also cap the level at which states may qualify for an enhanced match rate at 250% of federal poverty level. These policy proposals result in about \$3.5 billion less in proposed annual spending on the program.
4. The Office of the National Coordinator for Health IT (ONC) is cut by 40%. ONC, an already lean agency at only \$60 million in FY 2017, is responsible for coordinating the health IT functions for the federal government, no small feat. They are responsible for developing standards, and guiding multiple entities through the

difficult project of improving health information exchange, interoperable systems, and ensuring safeguards and privacy are maintained in the process. That budget was reduced to \$38 million.

5. There are no significant drug proposals to address the rising price of drugs in the FY 2018 budget. There is one price proposal in the 340B program to improve transparency. The last budget included many drug pricing proposals such as aligning Medicare and Medicaid drug coverage policies. The proposals were not necessarily acceptable to all across the political spectrum but they were the starting point for a broad-based discussion to address the high cost of drugs. In fact, there are not many health policy proposals in this budget.
6. Many rural health, primary care, and mental health investments are significantly reduced or eliminated in the budget. The HRSA budget proposes an increase of \$89 million for health centers in FY 2018, but that is the only increase. Training for nurses, preventive health, oral health, diverse workforce initiatives, and other programs designed to target a broad base of primary services for rural and hard to reach areas are essentially eliminated. Several programs that support rural health and rural providers such Rural Health Outreach, Oral Health Training, and Quality Improvement Grants are eliminated. Healthy Start for mothers and babies, sickle cell anemia research, and emergency medical services for children are significantly cut or eliminated. In addition, the program account for autism and other development disorders, which serves to support intervention research, develop guidelines for intervention, and reduce barriers to access to care is eliminated from the budget. Mental health care and appropriate services continues to be a challenge in this country and yet, the Substance Abuse and Mental Health Services Administration saw a 10% cut to their budget. One program, Community mental health services block grant is cut by \$116 million (22%), and spending on mental health overall is cut by 28%.

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7. The Agency for Healthcare Research and Quality (AHRQ) budget is cut by 18%, renamed, and folded into the NIH. AHRQ, the agency within HHS that funds health services research, translational medicine, evidence syntheses, patient safety, and quality research, would see its budget cut by 18%, to \$272 million. Further, AHRQ would be subsumed by NIH, and renamed National Institute for Research on

Safety and Quality. Making AHRQ part of NIH has led some to wonder if it is not a better fate for AHRQ compared to previous proposals to eliminate it entirely over concerns that it was duplicative of the NIH. Much of what we know about patient safety in hospitals and other settings, checklists for surgical procedures, approaches to controlling hospital acquired infections, or catheter-acquired urinary tract infections has emanated from the research, syntheses, and toolkits developed with funds from AHRQ. One bright spot for AHRQ—and for health services research—is that the Medicare Expenditure Panel Survey, which is the source of nationally representative data on individuals' and families' use of health care services, costs, and their providers, would be funded in 2018.

8. The budget proposes to cut the National Institutes of Health (NIH) budget by \$6 billion, or 21% of its current FY 17 budget. Presented with an abbreviated Administration budget request in March to cut NIH funding by more than 20%, the Congress found this unpalatable, and responded by increasing the NIH budget in the FY2017 Continuing Resolution by \$2 billion. Despite this rebuke, the Administration proposes another 21% cut in the NIH budget. Under this scenario, no Institute in NIH is spared, and the cuts to scientific research in every area that NIH covers would be significant. In addition, a year-by-year approach to scientific research is generally harmful and creates uncertainty. Even the Common Fund, the source of funds for some of the most innovative, high risk and novel research programs that do not otherwise fit neatly under any particular funding mechanism and is usually cross-cutting across Institutes, is cut by 33% to \$454 million.
9. Centers for Disease Control and Prevention (CDC) budget is cut by 20% or \$1.3 billion in one year. Chronic disease prevention and health promotion programs are cut by more than \$200 million (19%), and the HIV/AIDS, Viral Hepatitis, sexually transmitted infections and tuberculosis infection programs are cut by almost \$200 million (17%). The use of the Prevention and Public Health Fund is reduced by \$51 million (6%). A new program, America's Health, is proposed to address a series of significant public health problems for the country, and it will be funded with a \$500 million block grant. It is not clear where the money will come from or whether other programs are repurposed to fall under this function. The National Institute for Occupational Safety and Health which studies ways to reduce injuries in the workplace will be cut by 40%. One bright spot however, funding for vaccines for children are increased by \$161 million in FY 2018.

10. The overall cut to the HHS budget is significant, roughly a 20% cut in discretionary budget authority in FY 2018. The account that funds management of staff and resources to support all of HHS, the general departmental management account is cut by 40%. There was not much fat to trim to begin with—HHS is a large agency. Further, the Department relied on unspent program funds at the end of the year to fund needed capital improvements such as updating old accounting systems and information technology infrastructure. This fund, the non-recurring expenses fund, is eliminated in this budget. This could introduce management and operations concerns for the Department.

The Trump Administration has been clear that its priority is to shift resources from non-defense domestic programs to defense programs. In a budget where trade-offs are necessary, health programs and other domestic programs have seen significant cuts. Whether the Congress takes the Administration's request into consideration is yet to be seen, although early indications suggest they are less inclined to do so. We will learn in the coming months how Congress and the Appropriators will act.

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