

UNDER THE MICROSCOPE

MAY 1, 2013



DRILLING DEEPER: THE ADMINISTRATION'S FY 2014 HEALTH FUNDING PROPOSALS

ISSUE.

In our April Newsletter, we provided a brief overview of the Obama Administration's FY 2014 budget request. The overall budget can best be described as a "mixed picture" of health care funding for the coming fiscal year, with increases related to the Newtown tragedy and reductions in other discretionary funding. How the measure will look following the appropriations process—if one occurs at all—is complicated by the ongoing FY 2013 sequestration and by two competing House and Senate budget resolutions, approved by their respective bodies. As a reminder, the purpose of a budget resolution is to develop a framework for Congress to consider revenue, spending and other budgetary considerations, including an overall spending limit. If adopted, the revenue and designated spending limits can be enforced through a point of order. Thus, any appropriation line item can be questioned if it doesn't conform to the budget resolution.

Among the competing health-related issues between the House Bill and both the Senate and President's FY 2014 budget is the House proposal to turn Medicaid into a block-grant program, which immediately brings into question the future of the Affordable Care Act (ACA) altogether. At present, any compromise between House and Senate on these disparate budgets remains very much in doubt.

In the meantime, we do know that:

- ✓ Sequestration (including furloughs and program cuts) remains in effect for the balance of FY 2013, but for the recent added dollars to bring air traffic controllers back to work.
- ✓ ACA-related activity is ramping up toward the January 2014 launch across HHS and the Nation. Medicaid Expansion is moving forward in a majority of states, as is development and promotion of insurance coverage through insurance Marketplaces.
- ✓ Emphasis on a whole-person approach to integrated care, and working upstream toward prevention and early intervention continue as core elements of HHS-wide efforts, both within and beyond the ACA.
- ✓ Behavioral health remains squarely on the policy agenda in the wake of the Newtown tragedy and the Boston Marathon bombings.

With the budget debate and ACA implementation as context, this *Under the Microscope* takes a deeper dive into the Administration's FY 2014 budget request for the Department of Health and Human Services, looking not only at the behavioral health portfolio, but also at elements of various Agency budgets crucial to ACA implementation. Clearly, these budget requests, including those designated for the Prevention and Public Health Fund, are being targeted for zeroing by those zealous to repeal or otherwise cripple the ACA before it becomes fully operational.

Overall, the future for the FY 2014 Administration's budget request remains in doubt. Your engagement through letters, calls and electronic contacts, however, can help move program, policy and infrastructure dollars for FY 2014 behavioral health and I/DD issues forward, consistent not only with the President's focus on behavioral health, but also with the imperative of the ACA and the needs of your community and other communities nationwide.

ANALYSIS.

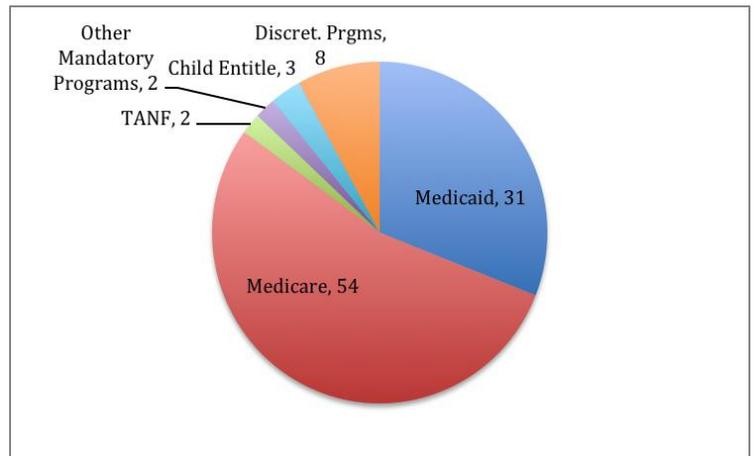
THE CONTEXT FOR THE PRESIDENT'S FY 2014 APPROPRIATION. The House-adopted budget to guide appropriations for FY 2014 and beyond was approved by the House in a near party-line-perfect vote on March 21. It adopts a 'meat ax' approach to cost-cutting in healthcare and elsewhere, proposing to reduce the deficit by \$4.6 trillion over the next 10 years and balancing the budget by FY 2023. To do so, the measure relies entirely on spending cuts, half of which come from health care programs. Not only would the measure require repeal of the ACA, but it also would convert Medicaid into a block grant, and reframe Medicare into a voucher program. Moreover, it would establish

annual spending caps that would markedly cut discretionary health program funding, bit by bit, year by year.

In contrast, the Senate-approved bill has more modest reductions, roughly paralleling the President’s budget proposals. Sequestration’s \$1.2 trillion in spending cuts is replaced by \$1.8 trillion in *both* spending cuts and revenue increases—tax changes. Critically, the measure preserves both the reforms and implementation for the ACA.

THE PRESIDENT’S FY 2014 BUDGET REQUEST. Released on April 10, the Administration’s budget request totals \$3.8 trillion, of which roughly one-third—\$1.058 trillion—is in discretionary funding. Breaking it down further, the discretionary dollars are divided between defense agencies at \$552 billion and “non-defense” agencies at \$506 billion. This proposal is markedly different from the House-proposed budget that ramps up defense spending at the specific expense of domestic programs, including the ACA. And, while the President’s proposal would still require around \$100 billion in non-defense spending cuts in the coming decade, that figure is considerably lower than the \$800 billion the sequester alone would impose if it remained in effect. In FY 2014 alone, the President’s budget proposal would reduce the annual deficit from 7% of the gross domestic product to 4.4%, without wholesale sacrifices to key health programs like the ACA, Medicaid and Medicare.

DEPARTMENT OF HEALTH AND HUMAN SERVICES (HHS). An overall increase from \$848 billion in FY 2012, the FY 2014 HHS budget request includes \$967 billion in outlays, of which \$80.1 billion are for discretionary budget authorities. Within those totals, the Department says the budget proposal includes both investments to support the health and well-being of the Nation and legislative proposals that would save an estimated net \$361.1 billion over 10 years. Of the FY 2014 budget request, Medicare accounts for 54%, Medicaid 31%, and discretionary grant programs some 8%. The balance of the dollars support some mandatory programs, such as the ACA marketplaces, Prevention and Public Health Fund and Medicaid expansion, as well as other statutory programs, such as block grants, including those for mental and substance use disorders. The budget also supports a number of new discretionary programs—including those designed to implement the various provisions of the ACA at the national state and local levels, and others related to the *Now is the Time* initiative that was unveiled in January to help reduce gun violence following the Newtown tragedy.



ACA FUNDS HIDDEN IN THE FY 2014 BUDGET

For the most part, ACA funds, including \$1 billion from the from the Prevention and Public Health Fund, are distributed across HHS agencies and operating divisions, some to support infrastructure efforts—health service program maintenance and growth—and some to support advancing evidence-based care and other models of service delivery.

HRSA. To ensure Americans have access to comprehensive, high-quality health and preventive care services regardless of their ability to pay, some \$2.2 billion from the ACA Community Health Center Fund is included as part of a \$3.8 billion Administration-proposed investment in HRSA’s Federal Qualified Health Center program. Those funds will enable 23 million patients to receive care through more than 8,900 sites in medically underserved areas across the country. An additional 40 new centers with a focus on prevention will expand care and outreach to some 1.5 million individuals. Moreover, in FY 2014, the quality of care provided by health centers will be improved by increasing the proportion of health centers that are nationally recognized as Patient-centered Medical Homes from 13% of health centers in FY 2012 to over 40% of health centers in FY 2014. Another \$57 million in Prevention and Public Health Fund dollars support HRSA child and maternal health programs, among others.

CDC. The budget makes \$1 billion available through the Prevention and Public Health Fund, some \$755 million of which would be allocated to the CDC for, among other things, the center on chronic disease prevention and health promotion (\$416 million) and the center on birth defects, developmental disabilities, disability and health (\$75 million).

SAMHSA. Mental health and substance use treatment programs of regional and national significance (discretionary grant programs) are slated to benefit from \$28 million and \$30 million, respectively from the ACA’s Prevention and Public Health Fund. The focus of these funds is on prevention and early intervention, as well as on building the scope and range of evidence-based practices and best practices in behavioral health care.

CMS. The largest purchaser of healthcare in the US, CMS pays out 1/3 of the Nation's health outlays. The total FY 2014 Medicaid request is \$284.2 billion, \$13.5 billion over FY 2012. Most of this funding is related to ACA Medicaid Expansion, specifically:

- ✓ \$1.5 billion in federal funds for discretionary program management resources needed to establish and manage Federal Marketplaces for states choosing not to do so. As a reminder, they are due to start enrolling uninsured individuals beginning in October 2013. An additional \$450 million in needed funds for this task will come from collection of anticipated user fees.
- ✓ \$37 billion additional to support Medicaid Expansion benefits. An additional \$3.6 billion will underwrite the navigators to help consumer understand their Marketplace health insurance options.
- ✓ \$22 million is budgeted for the state high-risk pool grants that were curtailed in FY 2013 due to the sequester. This is to pay back states that maintained the program, itself slated for elimination as the ACA goes into effect in January 2014.
- ✓ \$10 million will support an assessment of performance measures under the Parity Act to better inform ACA policy and program.

These are just a few examples of how ACA funds are being used to advance healthcare programs and policies as the ACA moves forward. But not all of these funds result in budget deficits. Some of these funds actually come from fees being paid *to* the federal government, a large proportion, from the pharmaceutical industry. A key change in how Medicare pays for medications will help markedly in FY 2014 and beyond. Today, Medicare Part D plan sponsors negotiate with drug manufacturers to obtain plan-specific rebates at unspecified levels. In contrast, under Medicaid, drug manufacturers are required to pay specified rebates for drugs dispensed to Medicaid beneficiaries. Analysis has found that Medicare is receiving significantly lower rebates and is paying higher prices than Medicaid for the same medications. In FY 2014 alone, some \$3.14 billion will be saved by allowing Medicare to benefit from the same rebates that Medicaid receives for brand name and by requiring manufacturers to pay the difference between rebate levels they already provide Part D plans and the Medicaid rebate levels.

BEHAVIORAL HEALTH: SAMHSA AND BEYOND.

The President has highlighted a number of behavioral health-related topics in his FY 2014 budget: increasing access to mental health services to help reduce violence, buttressing the behavioral health workforce and advancing evidence-based practices. Certainly, some of these priority areas are an outgrowth of the *Now is the Time* initiative in response to the Sandy Hook Elementary School tragedy. Others are more directly related to expanding opportunities for behavioral health care whether through the ACA or others, such as broadening the availability of care, buttressing the behavioral health workforce and promoting the use of known-effective services and interventions to prevent, diagnose and treat behavioral disorders.

Increasing Access to Mental Health Services to Help Reduce Violence. The President's FY 2014 budget includes a number of specific new investments: for Project AWARE (Advancing Wellness and Resilience in Education), a workforce initiative to ensure there are trained mental health providers ready to provide help in a crisis (see next section, below), and Healthy Transitions to support young people with mental health or substance abuse issues. These programs were first outlined in January, elements of the Administration's *Now Is the Time* initiative to reduce gun violence undertaken just after the Newtown tragedy. The programs and funding include:

- \$55 million to SAMHSA for Project AWARE (Advancing Wellness and Resilience in Education). Within those funds are \$40 million in State grants to help states and communities keep schools safe and get students with behavioral health issues referred to the services they need, and \$15 million to provide mental health first aid training to teachers and other adults who work with youth
- \$50 million to SAMHSA (some in collaboration with HRSA) to train new social workers, counselors, psychologists, peer professionals and other mental health professionals (see below);
- \$25 million to SAMHSA for Healthy Transitions, a grant program supporting innovative state-based strategies to help young people ages 16 to 25 and their families access and navigate the behavioral health treatment systems.
- \$30 million for CDC to support a nationwide violent deaths surveillance system and additional research on the causes and impact of gun violence.

Notwithstanding the infusion of \$130 million in *Now Is the Time* funding, SAMHSA's net gain for FY 2014 is only \$4 million over FY 2012 actual expenditures. The budget discontinues funding for new discretionary grant awards in a number of well-established program areas. Instead, resources are targeted to test new practices, and to maintain and bolster state and tribal efforts to implement and sustain evidence-based practices. Thus, CMHS's Programs of Regional and National Significance and other competitive and targeted grant activities across SAMHSA's 3 centers are funded at \$59 million *below* FY 2012. Substance abuse prevention and treatment discretionary grants take a significant hit, down from FY 2012 levels by \$94 and \$10 million, respectively. And, while the mental health block grant is level-

funded, the substance abuse block grant receives a \$20 million hike. Cuts are proposed for other elements of the SAMHSA portfolio.

Another behavioral health/violence initiative included in the President's FY 2014 budget is designed to help curb bullying. A new, \$50 million discretionary program—School Climate Transformation Grants—will be undertaken by the Department of Education and coordinated with related proposals at the Departments of Justice and Health and Human Services. Grants would help create positive school climates that support effective education for all students through the use of evidence-based behavioral practices. Funds would be used to scale up a multi-tiered, decision-making framework shown to reduce problem behaviors, decrease bullying and peer-victimization, improve the perception of school as a safe setting, and increase academic performance in reading and math. In addition, \$25 million for Project Prevent grants would help school districts in communities with pervasive violence break the cycle of violence through the provision of mental health services to students suffering from trauma or anxiety (including PTSD), conflict resolution programs, and other school-based strategies to prevent future violence.

Other Access-to-Care Initiatives. Work on behavioral health issues isn't limited to the Department of Health and Human Services. As reported in other NACBDD publications, the Department of Veterans' Affairs (VA) has been struggling to improve the diagnosis and treatment of veterans of the wars in Afghanistan and Iraq, particularly of those with behavioral disorders and/or traumatic brain injuries. Given the physical and emotional health care needs of a still-growing number of younger veterans, the President's FY 2014 budget for the VA includes \$54.6 billion for medical care. Key categories within the health care budget include services to meet specialized needs of these and other veteran populations:

- \$6.9 billion for mental health;
- \$4.1 billion for health care for veterans of the wars in Iraq and Afghanistan;
- \$246 million for traumatic brain injuries;
- \$230 million for readjustment counseling; and
- \$7.6 billion for long-term care.

In addition, the Administration plans to make \$85 million in FY 2014 Affordable Care Act (ACA) funding available to pay the costs of health insurance for veterans who, to date, have not used VA health services, and who will opt into VA health care under the ACA's individual mandate in lieu of seeking private coverage.

Enhancing the Workforce. As part of the President's *Now Is the Time* initiative in response to the Sandy Hook Elementary School tragedy, \$35 million in FY 2014 funds have been included in the SAMHSA budget to support a SAMHSA/HRSA collaboration designed specifically to grow the number of mental health professionals by 5,000 individuals who will work in schools and with school personnel to help promote behavioral health, prevent behavioral problems, and both identify and help meet the behavioral health needs of students. Moreover, SAMHSA's FY 2014 budget includes a \$10 million investment in expanding the rolls of peer professionals who can help in outreach to people at particular risk for behavioral disorders for whom stigma may stand between need and care.

HRSA activity is not limited to this partnership with SAMHSA. In fact, of all the federal agencies, HRSA is the most deeply involved in health manpower in the public health model. That puts them on the cutting edge when it comes to building the workforce that will be needed to respond to the needs of the millions who will enter the healthcare system as a result of the ACA, whether for preventive care, early intervention, or ongoing treatment of a chronic physical or behavioral illness. That's why the President's FY 2014 budget includes a total of \$856 million, including \$305 million in mandatory funding, to expand the Nation's health workforce capacity. This total includes \$39 million in new funds specifically to boost the number of social workers and psychologists who work in rural areas, and who serve military personnel, veterans and their families. Another \$111 million enables HRSA to continue ongoing activities that directly address the capacity of healthcare providers in behavioral health, the public health, and elsewhere.

Improving the Use of Evidence-based Interventions. As the ACA moves forward, the imperative that services be well-accepted and effective takes on added importance. Thus, the President's FY 2014 budget has placed a clear emphasis on the use of evidence-based services across its programs. This effort includes proposals to improve the use of evidence-based interventions across Medicare and Medicaid, as well as in state programs and projects utilizing SAMHSA's Mental Health Community Services Block Grant funds. The aim: to ensure that federal resources are invested in strategies that work.

The SAMHSA best-practice initiative will require states to target formula grant allocations and resources under the Mental Health Community Services Block Grant toward the use of evidence-based interventions. The FY 2014

President's budget also proposes to substantially increase support for the National Registry of Evidence-based Programs and Practices, thanks to \$58 million in funding from the Prevention and Public Health Fund. This searchable online system supports states, communities, and tribes in identifying and implementing evidence-based mental health and substance abuse prevention and treatment interventions. These additional funds will be used to ensure the registry includes cutting edge innovations that work.

Best practices are of ongoing interest to HRSA and CMS. And the budgets of both also place a continuing emphasis on assessing the human and cost effectiveness of a number of programs designed to yield better behavioral health care and outcomes. Thus, HRSA, in collaboration with SAMHSA, continues to implement and assess the concept of the "health home" as a framework for the delivery of healthcare in a more person-centered, holistic way that embodies a "whole person" approach and encompasses access to a full range of behavioral and physical health services and supports.

CMS has been given sufficient funding in the FY 2014 budget to continue two ongoing activities with important ramifications for behavioral health care:

- The budget continues funding for the Medicaid Emergency Psychiatric Demonstration that makes Federal matching funds available to states to provide inpatient emergency psychiatric care to Medicaid beneficiaries ages 21 to 64 in private psychiatric hospitals. Funding for this demonstration will continue to be available through FY 2014 under the President's proposal.
- Funds also will continue for the Money Follows the Person Demonstration designed to help states to sustain their Medicaid programs while helping individuals achieve independence. States awarded competitive grants are receiving an enhanced Medicaid matching rate to help eligible individuals transition from a qualified institutional setting to a qualified home or community-based setting.

While not exhaustive, the foregoing analysis of the President's FY 2014 budget provides a good picture of where dollars will go if the budget is approved as submitted. If nothing else, it provides a roadmap of where ACA funding is benefitting behavioral health initiatives and where the Administration's emphasis will likely be placed in health care policy and program over the coming few years as ACA implementation moves forward. Only time will tell how it fares in the appropriations process in both House and Senate over the coming weeks and months. In the meantime, you have the opportunity to help influence the final shape of those appropriations.

ACTION STEPS.

Overall, the future for the FY 2014 Administration's budget request remains in doubt, particularly given the ongoing budget battles between House and Senate.

That's why your engagement through letters, calls and electronic contacts is important. Through your work and that of other key stakeholders, it will be possible to advance needed levels of FY 2014 funding for program, policy and infrastructure for behavioral health and I/DD issues. Only through your work can we ensure that the impetus built for behavioral health by the ACA, through the *Now is the Time* initiative, and through the President's FY 2014 budget, will reach a critical mass that results in meaningful funding levels for critical health programs. Only through your work can you help ensure that, as a Nation, we are better able to help meet the behavioral health needs of every state and every county across the country—including yours. It's time to roll up your sleeves again and get to work.