



STATEMENT OF
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ON

THE PRESIDENT'S FISCAL YEAR 2014 BUDGET

BEFORE THE
COMMITTEE ON FINANCE
UNITED STATES SENATE

APRIL 17, 2013

**Testimony of
Secretary Kathleen Sebelius
U.S. Department of Health and Human Services
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Chairman Baucus, Ranking Member Hatch, and Members of the Committee, thank you for the invitation to discuss the President's FY 2014 Budget for the Department of Health and Human Services (HHS).

The Budget for HHS provides critical investments in health care, disease prevention, social services, and scientific research in order to create healthier and safer families, stronger communities, and a thriving America.

The President's fiscal year (FY) 2014 Budget for HHS includes investments needed to support the health and well being of the nation, and legislative proposals that would save an estimated \$361.1 billion over 10 years. The Budget totals \$967.3 billion in outlays and proposes \$80.1 billion in discretionary budget authority. With this funding HHS will continue to improve health care and expand coverage, create opportunity and give kids the chance to succeed, protect vulnerable populations, promote science and innovation, protect the nation's public health and national security, and focus on responsible stewardship of taxpayer dollars.

Improving Health Care and Expanding Coverage

Expanding Health Insurance Coverage. Implementation of the Exchanges, also referred to as Marketplaces, will expand access to affordable insurance coverage for more than 25 million Americans. Marketplaces make purchasing private health insurance easier by providing eligible consumers and small businesses with one-stop-shopping where they can compare across plans. New premium tax credits and rules ensuring fair premium rates improve affordability of private coverage. Marketplaces will be operational in 2014; open enrollment begins October 1, 2013 for the coverage year beginning January 1, 2014. The Budget supports operations in the Federal Marketplaces, as well as oversight and assistance to State-based and Partnership Marketplaces.

Beginning in January 2014, Medicaid coverage rules will be simplified and aligned with rules for determining eligibility for tax credits for private insurance in the Marketplaces, and millions of low-income people will gain coverage. The Centers for Medicare & Medicaid Services (CMS) is committed to working with states and other partners to advance state efforts that promote health, improve the quality of care, and lower health care costs.

Also beginning in 2014, consumers will benefit from a number of new protections in the private health insurance market. Most health insurers will no longer be allowed to charge more or deny coverage to people because of pre-existing conditions. These new protections will also prohibit most health insurers from putting annual dollar limits on benefits and from varying premiums based on gender or any factor other than age, tobacco use, family size, or geography. In addition, new plans in the individual and small group market will be required to cover a

comprehensive package of items and services known as Essential Health Benefits, which must include items and services within ten benefit categories. Finally, most individuals choosing to participate in clinical trials will not face limits in health insurance coverage. This protection applies to all clinical trials that treat cancer or other life-threatening diseases.

Expanding Access to Care through Health Centers. The FY 2014 Budget includes \$3.8 billion for the Health Centers program, including \$2.2 billion in mandatory funding provided through the Affordable Care Act Community Health Center Fund. In FY 2014, 23 million patients will receive health care through more than 8,900 sites in medically underserved communities throughout the nation. The Budget funds 40 new health center sites for the provision of preventive health care services, expanding outreach and care to approximately 1.5 million additional patients.

Improving Patient Safety. HHS is committed to improving patient safety and reducing the risks and harm that patients can encounter. The Budget includes \$63 million for patient safety research at the Agency for Healthcare Research and Quality (AHRQ). AHRQ's patient safety research focuses on the risks and harm inherent in the delivery of health care in order to understand the factors that can contribute to adverse events and how to prevent them. In FY 2014, AHRQ will fund projects to address the challenges of health care teamwork and coordination among providers. AHRQ will also support research on how to establish cultures conducive to patient safety in health care organizations. This research will serve as the foundational basis on which patient safety can be improved.

Increasing Access to Mental Health Services

The FY 2014 Budget includes over \$1 billion for mental health programs at the Substance Abuse and Mental Health Services Administration (SAMSHA), including the \$460 million for the Community Mental Health Services Block Grant. This block grant provides States flexible funding to maintain community based mental health services for children and adults with serious mental illnesses, including rehabilitation, supported housing, and employment opportunities. The Budget also proposes funding within the block grant to encourage States to build provider capacity to bill public and private insurance. This will support States in an effective transition in the first year of the Affordable Care Act, which will include expanded coverage for mental health and substance abuse treatment services.

Expand Prevention and Treatment for Youth and Families. While the vast majority of Americans with a mental illness are not violent, and are in fact more likely to be the victims of violence, recent tragedies have brought to light a hidden crisis in America's mental health system. The Budget addresses these issues by investing \$130 million to help teachers and other adults recognize signs of mental illness in students and refer them to help if needed, support innovative state-based programs to improve mental health outcomes for young people ages 16-25, and train 5,000 more mental health professionals with a focus on serving students and young adults.

Helping Families and Children Succeed

In his State of the Union Address, President Obama proposed a series of new investments to create a continuum of high-quality early learning services for children beginning at birth through age five. As part of this initiative, HHS and the Department of Education are working together to make high-quality preschool available to four-year olds from low- and moderate-income families through a partnership with states, expand the availability of high-quality care for infants and toddlers, and increase highly-effective, voluntary home visiting programs to provide health, social, and education supports to low-income families. Specifically, the FY 2014 HHS Budget includes:

Home Visiting. The Budget extends and expands this voluntary evidence-based program that has shown to be critical in improving maternal and child health outcomes in the early years, leaving long-lasting, positive impacts on parenting skills; children's cognitive, language, and social-emotional development; and school readiness. The Budget proposes a long-term \$15 billion investment beginning in FY 2015.

Early Head Start—Child Care Partnerships. The Budget proposes \$1.4 billion in FY 2014 for new Early Head Start – Child Care Partnerships that will expand the availability of early learning programs that meet the highest standards of quality for infants and toddlers, serving children from birth through age three. In addition to the new Partnerships, the Budget provides \$222 million above FY 2012 to strengthen services for children currently enrolled in the program, avoid further enrollment reductions, and support the Head Start Designation Renewal System. Together, these investments total \$9.6 billion, an increase of \$1.7 billion over FY 2012.

Child Care Quality Fund. The request includes \$200 million above FY 2012 in discretionary funds to help states raise the bar on quality by strengthening health and safety measures in child care settings, supporting professional development for providers, and promoting transparency and consumer education to help parents make informed child care choices. In addition to this funding, the Budget provides \$500 million above FY 2012 in mandatory funds to serve 1.4 million children, approximately 100,000 more than would otherwise be served.

Child Support and Fatherhood Initiatives. Additionally, the Budget includes a set of proposals to encourage states to provide child support collections to families rather than retaining those payments. This effort includes a proposal to encourage states to provide all current monthly child support collections to Temporary Assistance for Needy Families recipients. Recognizing that healthy families need more than just financial support alone, the proposal requires states to include parenting time provisions in initial child support orders, to increase resources to support, and facilitate non-custodial parents' access to and visitation with their children. The Budget also includes new enforcement mechanisms that will enhance child support collections.

Protecting Vulnerable Populations

Addressing the Unique Needs of Communities. The Administration for Community Living (ACL) was formed in April 2012 as a single agency designed to help more people with

disabilities and older adults have the option to live in their homes and participate fully in their communities. The FY 2014 Budget reflects the creation of ACL by bringing together the resources for the Administration on Aging, the Office on Disability, and the Administration on Intellectual and Developmental Disabilities, into a consolidated request. This newly organized agency works across HHS to harmonize efforts to promote community living, which can both save federal funds and allow people who choose to live with dignity in the communities they call home. ACL's Lifespan Respite Care program, as an example, focuses on providing a test bed for needed infrastructure changes and on filling gaps in service by putting in place coordinated systems of accessible, community-based respite care services for family caregivers of children and adults with special needs.

Promoting Science and Innovation

Advancing Scientific Knowledge. The FY 2014 Budget includes \$31.3 billion for the National Institutes of Health (NIH), an increase of \$471 million over the FY 2012 level, reflecting the Administration's priority to invest in innovative biomedical and behavioral research that spurs economic growth while advancing medical science. In FY 2014, NIH will focus on investing in today's basic research for tomorrow's breakthroughs, advancing translational sciences, and recruiting and retaining diverse scientific talent and creativity. Investment in NIH also helps drive the biotechnology sector and assure the nation's place as a leader in science and technology.

Alzheimer's Disease Initiatives. The Department continues to implement the National Plan to Address Alzheimer's Disease, as required by the National Alzheimer's Project Act. In FY 2014, the Budget includes a \$100 million initiative targeted to expanding research, education, and outreach on Alzheimer's disease, and to improving patient, family, and caregiver support. Included in this initiative is \$80 million within the NIH budget to be devoted to speeding drug development and testing new therapies. Also, the request for the Prevention and Public Health Fund (Prevention Fund) includes \$20 million for the Alzheimer's Disease Initiative. Of this, ACL will use \$15 million to strengthen state and local dementia intervention capabilities and for outreach to inform those who care for individuals with Alzheimer's disease about resources available to help them. HRSA will use the other \$5 million to expand efforts to provide training to healthcare providers on Alzheimer's disease and related dementias.

Focusing on Responsible Stewardship of Taxpayer Dollars

Contributing to deficit reduction while maintaining promises to all Americans. The HHS Budget makes the investments the nation needs right now, while reducing the deficit in the long term and ensuring the programs that millions of Americans rely on will be there for generations to come. Already, we have seen how our programs are making a difference to reduce the deficit. The Affordable Care Act has helped to slow rising costs by building a smarter system to get at the underlying health care costs that have been driving Medicare and Medicaid spending. In fiscal year 2012, per beneficiary Medicare spending grew by only 0.4 percent, and total per beneficiary Medicaid spending actually decreased – by 1.9 percent. For the 1st time in a decade, overall health care costs grew more slowly than the economy. We are driving down costs while improving quality for patients by building a smarter system – for example, after decades stuck at

19 percent, avoidable hospital readmissions fell to 17.8 percent in Medicare last year. The Budget helps HHS to build on this work.

The Budget maintains ongoing investments in areas most central to advancing the HHS mission while making reductions to lower priority areas, reducing duplication, and increasing administrative efficiencies. Overall, the FY 2014 Budget includes nearly \$2.3 billion in discretionary terminations and budget reductions.

The specified Medicare and Medicaid legislative proposals in the FY 2014 Budget seek to reduce the deficit while encouraging economic growth and maintaining the administration's commitment to HHS programs upon which tens of millions of Americans depend. Medicare savings would total \$371.0 billion over 10 years by encouraging beneficiaries to seek value in their health care choices; strengthening provider payment incentives to promote high-quality, efficient care; and increasing the availability of generic drugs and biologics. The Budget also includes \$22.1 billion in savings over 10 years to make Medicaid more flexible, efficient, and accountable while strengthening Medicaid program integrity. Together, the FY 2014 discretionary budget request and these legislative proposals allow HHS to support the Administration's challenging yet complementary goals of investing in the future and establishing a sustainable fiscal outlook.

Combating fraud, waste, and abuse in health care: The FY 2014 Budget makes cutting fraud, waste, and abuse a top Administration priority. In addition to the base discretionary Health Care Fraud and Abuse Control (HCFAC) funding in FY 2013 and FY 2014, the Budget seeks new mandatory funding to support these efforts. Starting in FY 2015, the Budget proposes all new HCFAC investments be mandatory, consistent with levels in the Budget Control Act. This investment supports fraud prevention initiatives like the Fraud Prevention System and screening for Medicare providers and suppliers to reduce improper payments in Medicare, Medicaid and CHIP; and HHS-Department of Justice Health Care Fraud Prevention and Enforcement Action Team initiatives, including the Medicare Strike Force teams and the Fraud Prevention Partnership between the federal government, private insurers, and other key stakeholders.

From 1997 to 2012, HCFAC programs have returned over \$23 billion to the Medicare Trust Funds, and the current three-year return-on-investment of 7.9 to 1 is the highest in the history of the HCFAC program. The Budget's 10-year HCFAC investment yields a conservative estimate of \$6.7 billion in Medicare and Medicaid savings.

The Budget includes \$389 million in discretionary and mandatory funding for the Office of Inspector General (OIG), an increase of \$101 million above the FY 2012 level. This increase will enable OIG to expand CMS Program Integrity efforts for the Health Care Fraud Prevention and Enforcement Action Team and improper payments, and also enhance investigative efforts focused on civil fraud, oversight of grants, and the operation of Affordable Care Act programs.

The Budget also includes \$82 million for the Office of Medicare Hearings and Appeals (OMHA), an increase of \$10 million from FY 2012, to address OMHA's adjudicatory capacity and staffing levels and maintain quality and accuracy of its decisions. The increase allows

OMHA to establish a new field office in the Central time zone supported by additional Administrative Law Judge teams and attorneys, and operational staff.

Performance, Evaluations and Effectiveness

Assessing the Impact of Health Insurance Coverage Expansions on Safety Net Programs. The Budget includes \$3 million to the Assistant Secretary for Planning and Evaluation to evaluate the impact of health insurance coverage and benefit expansions among beneficiaries of HHS direct service programs. This request supports the continuation of research and evaluation studies, collection of data, and assessments of the costs, benefits and impacts of policies and programs under consideration by HHS or the Congress. This data will inform decisions about how to tailor policies and programs to align with new coverage options and support available starting in 2014.

Thank you for the opportunity to testify. I will be happy to answer any questions you may have.