



STATEMENT OF
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ON

THE PRESIDENT'S FISCAL YEAR 2015 BUDGET

BEFORE THE
COMMITTEE ON FINANCE
UNITED STATES SENATE

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**Testimony of
Secretary Kathleen Sebelius
U.S. Department of Health and Human Services
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Chairman Wyden, Ranking Member Hatch, and Members of the Committee, thank you for the invitation to discuss the President's FY 2015 Budget for the Department of Health and Human Services (HHS).

This budget for the Department of Health and Human Services (HHS) improves the economic opportunity of all Americans by providing critical investments in scientific research, health care, disease prevention, social services, and children's well-being, to achieve healthier families, stronger communities, and a thriving America. While it invests in areas that are critical to our long-term prosperity, the budget also helps tackle our deficit with legislative proposals that would save an estimated net \$356 billion over 10 years. The Budget totals \$1.0 trillion in outlays and proposes \$77.1 billion in discretionary budget authority, a reduction of \$1.3 billion from FY 2014 enacted. 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.

**Strengthening Health Care and Continuing Effective Implementation of the
Affordable Care Act**

Expanding Health Insurance Coverage. As of January 1, 2014, millions of Americans gained access to new health insurance options previously not available to them. The Marketplaces provide improved access to insurance coverage, creating a new private health insurance market in which those in need of coverage are more easily able to purchase health insurance. On March 31, 2014, the first open enrollment period ended. So far over 7 million Americans have signed up for private health insurance, and that number will grow as state-based Marketplaces report their numbers for the final day of open enrollment. New premium tax credits and rules ensuring fair premium rates are making private coverage more affordable for consumers. The Budget supports continued operations in the federally-facilitated Marketplace, as well as oversight and assistance to state-based and Partnership Marketplaces.

The Affordable Care Act provides full federal funding to cover newly eligible adults in states that expand Medicaid up to 133 percent of the federal poverty level for three years starting in 2014 and covers no less than 90 percent thereafter. The Affordable Care Act also simplified Medicaid and Children's Health Insurance Program (CHIP) eligibility and enrollment processes and aligned them with Marketplaces. Just last week we announced that 3 million additional individuals enrolled in Medicaid or CHIP through the end of February 2014. The Centers for Medicare & Medicaid Services (CMS) continues to work 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. Non-grandfathered health plans will no longer be allowed to

charge more or deny coverage to people because of pre-existing conditions. These new protections will also prohibit non-grandfathered plans 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, many individuals will find it easier to participate in clinical trials because issuers will have to cover their routine patient costs and cannot deny their participation in trials. This protection applies to all clinical trials that treat cancer or other life threatening diseases.

Health Centers. Health centers will continue to be a vital source of primary care for uninsured and medically underserved patients seeking a quality source of care in FY 2015. The Budget requests \$4.6 billion for health centers, \$3.6 billion of which is funded by the Affordable Care Act's Community Health Center Fund, to serve approximately 31 million patients in FY 2015. These resources will support the establishment of 150 new health center sites as well as enhance quality, and support capital development and facility improvements at currently existing health centers.

Health Care Workforce. The Budget makes new and strategic investments in our nation's health care workforce to ensure rural communities and other underserved populations have access to doctors and other providers. In total, \$14.6 billion will be invested in three key initiatives: \$4.0 billion in expanded funding for the National Health Service Corps, \$5.2 billion for a new Targeted Support for Graduate Medical Education program, and \$5.4 billion for enhanced Medicaid reimbursements for primary care.

The \$4.0 billion in new mandatory resources from FY 2015 through FY 2020 is in addition to \$100 million in discretionary funding and \$310 million in current law funding for FY 2015 for the National Health Service Corps. Corps clinicians serve in medical facilities in high-need areas of the country. This investment is projected to support 15,000 clinicians in FYs 2015-2020. HRSA will also invest in our nation's health workforce through the new Targeted Support for Graduate Medical Education program. Between FY 2015 and FY 2024, \$5.2 billion in total mandatory funding is requested for this effort, to be distributed to teaching hospitals, children's hospitals, and to community-based consortia of teaching hospitals and/or other health care entities. The focus of the targeted support program will be to support ambulatory and preventive care, in order to advance the Administration's goals of higher value health care that reduces long-term costs. This investment will support 13,000 residents over ten years.

Concurrent with these efforts at HRSA, CMS will devote \$5.4 billion to extend enhanced reimbursements to states for primary care through the end of calendar year 2015, expand eligibility for reimbursements to mid-level providers, including physician assistants and nurse practitioners, and exclude emergency room codes to better target primary care.

Protecting Vulnerable Populations

Elder Justice. The FY 2015 Budget proposes \$25 million in the Administration for Community Living (ACL) to protect vulnerable older adults by combating the rising scourge of elder abuse, neglect, and exploitation in America. This effort builds on the findings and recommendations of the Elder Justice Coordinating Council, a consortium of federal partners which I lead that was established by the Elder Justice Act of 2009. In response to the recommendations of the Council, ACL will begin developing a national Adult Protective

Services data system and provide funding for key research. This investment will help states improve the quality and consistency of their Adult Protective Services programs.

Advancing Scientific Knowledge and Innovation

Protect Patients from Healthcare-Associated Infections. The CDC estimates that one in 20 hospitalized patients acquires a healthcare-associated infection (HAI), and over one million HAIs occur across the healthcare spectrum each year at a cost of over \$30 billion. HHS is committed to reducing the national rate of HAIs. The Budget includes \$44 million for HAI prevention activities at CDC, which include identifying emerging threats and protecting patients through outbreak detection and control, laboratory testing of the health care environment and contaminated products, and guideline development.

Complementing CDC's efforts, the Agency for Healthcare Research and Quality (AHRQ) focuses on conducting research to develop new methods of preventing and reducing HAIs, and disseminates these research findings to clinicians. The request includes \$34 million for AHRQ's efforts to protect patients from HAIs.

Improving Healthcare through Meaningful Use of Health IT. Health information technology is essential to improving our nation's health care by moving from a transaction based system to one that emphasizes quality and value. The Budget includes \$75 million for the Office of the National Coordinator for Health IT (ONC) to coordinate and support investments in policies, standards, testing tools, and implementation guides that have dramatically accelerated the adoption and meaningful use of certified Electronic Health Record technologies. Within this total, ONC will begin to address HIT-related patient safety issues under the Health IT Safety Center through data collection and analysis on the types and frequencies of health IT related adverse events. ONC will work closely with AHRQ, Patient Safety Organizations, the Joint Commission, and FDA on this effort.

Supporting Families

Maternal and Child Health. The FY 2015 Budget requests \$1.3 billion to improve the health of mothers and children, an increase of \$129 million. This level includes \$500 million in FY 2015 and \$15 billion through FY 2024 to extend and expand the Maternal, Infant, and Early Childhood Home Visiting program, through which states are implementing voluntary, evidence-based home visiting programs that enable nurses, social workers, and other professionals to meet with at-risk families and connect them to assistance to support the child's health, development, and ability to learn. These programs have been shown to improve maternal and child health and developmental outcomes, improve parenting skills and school readiness. The request also includes \$634 million, the same as FY 2014, for the Maternal and Child Health Block Grant.

Early Head Start—Child Care Partnerships. The Budget proposes \$650 million in FY 2015 for Early Head Start – Child Care Partnerships, an increase of \$150 million above FY 2014. These funds will provide access to high-quality early learning programs for tens of thousands of infants and toddlers through competitive grants to new and existing Early Head Start programs that partner with child care providers, especially those receiving federal child care subsidies.

Child Support and Fatherhood Initiative. The Budget includes a set of proposals to encourage states to pay 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 (TANF) recipients. The proposal requires states to include provisions in initial child support orders addressing parenting time

responsibilities, to increase resources to support and facilitate non-custodial parents' access to and visitation with their children, and to implement domestic violence safeguards. The Budget also includes new enforcement mechanisms such as requiring states to implement electronic income withholding orders that will enhance child support collections. The Budget proposes an investment of \$1.8 billion over ten years for these initiatives.

Facilitating Transitions to Adulthood

Demonstration to Address the Over Prescription of Psychotropic Medications for Children in Foster Care. The Budget includes \$500 million for a new CMS demonstration in partnership with ACF to provide performance-based incentive payments to states through Medicaid, coupled with \$250 million in mandatory child welfare funding to support state infrastructure and capacity-building. This transformational approach will encourage the use of evidence based screening, assessment, and treatment of trauma and mental health disorders among children and youth in foster care in order to reduce the over prescription of psychotropic medications. This new investment and continued collaboration will improve the social and emotional outcomes for some of America's most vulnerable children. I would like to thank Senator Grassley and other members of this Committee for expressing interest in the Administration's focus on this area, and I look forward to working with the Committee to address this need.

Continuing Program Integrity and Oversight

Combating Fraud, Waste, and Abuse in Health Care. The FY 2015 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 2015, the Budget seeks new mandatory funding. Starting in FY 2016, the Budget proposes that 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; reducing improper payments in Medicare, Medicaid, and CHIP; and HHS-Department of Justice Health Care Fraud Prevention and Enforcement Action Team initiatives, including the Fraud Prevention Partnership between the federal government, private insurers, and other key stakeholders. The Budget's 10 year investment in HCFAC yields a conservative estimate of \$7.4 billion in Medicare and Medicaid savings.

To help ensure the prudent use of federal funds, the Budget also includes \$25 million in discretionary HCFAC funding for program integrity activities in private insurance, including the Health Insurance Marketplaces.

The Budget includes \$400 million in discretionary and mandatory funding for the Office of Inspector General (OIG), an increase of \$105 million above FY 2014. 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 \$100 million for the Office of Medicare Hearings and Appeals (OMHA), an increase of \$18 million above FY 2014. OMHA received over 600,000 claims in FY 2013 compared to 313,000 received in FY 2012. The Budget will support adjudicatory capacity and central operations case processing in order to address a critical backlog in the number of appeals and maintain the quality and accuracy of its decisions.

Medicaid Program Integrity. States have the primary responsibility for combating fraud and abuse in the Medicaid program. CMS supports this effort through technical assistance and by contracting with eligible entities to carry out reviews, audits, identification of overpayments, education activities, and technical support. Other key CMS efforts include measuring Medicaid improper payments and efforts to transform the Medicaid data enterprise through the Medicaid and CHIP Business Information and Solutions program to provide states, auditors, and reviewers timely access to more complete encounter data and other claims information. The Budget includes an additional \$25 million per year, adjusted for inflation, for the Medicaid Integrity Program.

Responsible Stewardship of Taxpayer Dollars

Contributing to Deficit Reductions while Maintaining Promises to all Americans. The FY 2015 Medicare and Medicaid legislative proposals seek to strengthen these programs through payment innovations and other reforms that encourage high quality and efficient care while continuing to reduce health care cost growth. Medicare savings would total \$407 billion over 10 years by encouraging beneficiaries to seek value in their health care choices, strengthening provider payment incentives to promote high-value, efficient care, and lowering drug costs. The Budget includes \$7.3 billion in savings over 10 years to make Medicaid more flexible, efficient, and accountable. Together, the FY 2015 legislative proposals allow HHS to support the Administration's complementary goals of investing in the future and establishing a sustainable fiscal outlook.

Opportunity, Growth, and Security Initiative

The Budget proposes a \$56 billion, government-wide initiative to support both domestic and security expenditures that reflect the President's priorities to grow the economy and create opportunities. Resources for the initiative would be offset with a balanced package of spending reductions and the closing of tax loopholes. Multiple, specific HHS programs would benefit from the initiative. One example is:

Head Start. The initiative would also provide an additional \$800 million to further expand Early Head Start – Child Care Partnerships. This investment would bring total funding for Early Head Start – Child Care Partnerships to \$1.5 billion in FY 2015, and provide access to high-quality early learning programs for a total of more than 100,000 children.

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