

The President's 2001 Budget: Medicaid, S-CHIP, and other Health Priorities

Medicaid and the State Children's Health Insurance Program (S-CHIP) are jointly-funded, Federal-State health insurance programs for certain low-income and disabled individuals. Medicaid provides health care services to approximately 34 million individuals including children, the aged, blind, and/or disabled. S-CHIP provides health care to more than two million uninsured children in low-income families who cannot afford private health insurance. The federal share for Medicaid expenditures in 2000 is projected at \$116 billion; for S-CHIP, \$1.3 billion.

The President's budget includes several new proposals to expand health insurance to the uninsured, promote biomedical research, and improve health care services delivery. For Medicaid and S-CHIP, these initiatives include: a new Family Care program; a Medicaid/S-CHIP expansion for older children; improved enrollment procedures for Medicaid and S-CHIP; restoration of Medicaid/S-CHIP for specific classes of legal immigrants; and permanent extension of transitional Medicaid benefits. For discretionary programs, the President calls for: increased support for safety nets for the uninsured; continued commitment for biomedical research; increased public health surveillance; investments in mental health resources; and increased attention to oversight and support infrastructures. Savings would be generated by: reducing funding for certain grant programs; targeted rescissions; recouping certain administrative cost allocation payments; publicizing the Average Manufacturer Price for state Medicaid programs; and changing drug reimbursement laws.

MANDATORY PROGRAMS

Family-Care Although nearly two-thirds of uninsured parents (6.5 million) have children who are eligible for Medicaid/S-CHIP, their incomes are too high to qualify for health care coverage in many states. The President requests \$76 billion over 10 years to provide states with the flexibility to cover the uninsured parents of S-CHIP/Medicaid-eligible children. States that choose to take advantage of this option would receive higher federal matching rates and increased S-CHIP allotments. In order to receive additional funding, however, states would have to first cover children up to 200% of poverty. After five years, states would have to expand CHIP at least to parents whose earnings equal the poverty rate. The plan would allow employers to pool expenses with state funding, so that families could purchase the insurance their employer offers.

Expanding Medicaid/S-CHIP to Include Older Children The President requests an additional \$1.9 billion to extend CHIP coverage to eligible uninsured 19- and 20-year-olds.

Improving Medicaid/S-CHIP Enrollment Procedures The President requests \$5.5 billion over 10 years to enroll an additional 400,000 children into CHIP and Medicaid by: (1) allowing school lunch programs to share information with Medicaid; (2) expanding the number sites eligible to enroll children in S-CHIP and Medicaid; and (3) requiring states to make their Medicaid and CHIP forms equally simple.

Restoring Medicaid/S-CHIP for Legal Immigrants The 1996 welfare reform law excluded certain groups of legal immigrants from qualifying for Medicaid coverage. The President's budget request includes \$6.5 billion over 10 years to restore Medicaid eligibility for pregnant women, children, and disabled individuals who are eligible for SSI.

Extending Transitional Medicaid The President requests \$4.3 billion over ten years to make Medicaid coverage permanently available for twelve months to families in transition from welfare to work. The proposal would also simplify reporting requirements during the transition.

Expanding Eligibility up to 300 Percent of SSI Level for Institutionally Needy The President proposes to give States the option of expanding Medicaid eligibility for people with incomes up to 300 percent of the SSI level (roughly \$1,500 per month in 1999), who need nursing home care but choose to live in their communities.

Promoting Public Health The President's budget proposal calls for \$166 million over five years in Medicaid spending to promote asthma management techniques and cover smoking cessation drugs.

Breast and Cervical Cancer Treatment The President budgets \$220 million over five years towards the creation of a new Medicaid eligibility option to cover uninsured women diagnosed with breast or cervical cancer through the CDC's early detection program.

SAVINGS

Medicaid Cost Allocation The President proposes savings of \$3.2 billion over ten years by restricting States' ability to shift administrative costs from TANF to Medicaid. The proposal adopts the State-by-State approach for determining State liabilities contained in the Agriculture Research bill enacted in 1998. It also gives States flexibility to use TANF block grant funds to cover shared TANF-Medicaid costs.

Provide Additional Rebate from Generic Drug Manufacturers The President proposes savings of \$69 million over ten years by revising the Medicaid drug rebate law to require additional rebates from generic manufacturers when they increase the price of drugs beyond the inflation rate for urban consumers.

Publicize the Average Manufacturer Price (AMP) Under current law, HHS is required to collect AMP data but is prohibited from sharing that information with the states. This proposal would give states access to accurate information from which they can set appropriate reimbursement rates and yield savings of \$1.4 billion over ten years.

Additional Enforcement Authority The President's budget offers savings of \$100 million over ten years by providing the Secretary with additional enforcement authority to bring state Medicaid programs into compliance with federal law. The Secretary would be allowed to reduce a state's federal matching rate by up to 0.5% until the state corrects the problem.

Child Support Enforcement The President's proposal would require child enforcement agencies to conduct periodic reviews and adjust child support payments. In addition, the proposal would

ensure that children are enrolled onto their non-custodial parent's health insurance plan if it is offered by the parent's employer. Savings generated from the health care portion amount to \$250 million over ten years.

Table 1: CBO's Estimates of the President's Medicaid/S-CHIP Proposals in the 2001 Budget

(In billions of dollars)	2001	2002	2003	2004	2005	2001-05	2001-10
<u>Budget Initiatives</u>							
Family Care	-.1	1.3	2.3	3.1	4.6	11.3	56.2
Benefits for legal immigrant children, pregnant women, and disabled	0.0	0.1	0.3	0.5	0.8	1.8	10.4
Transitional Medicaid	0.0	0.4	0.4	0.4	0.5	1.7	4.8
Medicaid/S-CHIP Age Expansion	0.1	0.1	0.1	0.1	0.2	.9	2.1
Improving Medicaid/S-CHIP enrollment procedures	0.1	0.1	0.1	0.1	0.1	.5	1.8
Breast and Cervical Cancer Coverage	0.0	0.0	0.0	0.0	0.1	0.2	0.6
<u>Savings</u>							
Cost allocation	-0.3	-0.3	-0.3	-0.4	-0.4	-1.7	-3.6
Publicize Average Manufacturer Price	-0.0	-0.1	-0.1	-0.1	-0.1	-.4	-1.3
Generic Drug Rebates	-0.0	-0.0	-0.1	-0.1	-0.1	-0.3	-0.8

DISCRETIONARY PROGRAMS

National Institutes of Health The President requests \$18.8 billion dollars for FY 2001, a \$1 billion (6%) increase over FY 2000. The budget supports enhanced research in cancer, diabetes, Parkinson's disease, HIV/AIDS, and mental health. The President also seeks funding for a new minority health coordinating center and the construction of a new Neuroscience Research Center.

Substance Abuse and Mental Health Services Administration (SAMHSA) The recently-released Surgeon General's report on Mental Health highlighted the prevalence of mental illness and

the importance of early identification and treatment. The President's budget contains \$2.8 billion for SAMHSA, a \$171 million (6%) increase over last year's request. This funding level would provide states with additional resources for mental health and substance abuse services through grant programs such as the Mental Health Block Grant and the new Targeted Mental Health Capacity Program.

Indian Health Services (IHS) The President proposes funding the IHS at \$2.6 billion, an increase of \$229 million (10%) over FY 2000 enacted funding levels. The additional funds would allow the IHS to provide health care services and build necessary facilities to meet the needs of the growing Native American population.

The Centers for Disease Control (CDC) The President requests \$3.2 billion for CDC in his FY 2001 budget, an increase of \$220 million (7.3%) over FY 2000. The budget seeks an additional \$40 for domestic HIV prevention activities.

Maternal and Child Block Grant(MCBG) The President proposes to incorporate Healthy Start within the Maternal and Child Block Grant, although it will remain a separate grant within the MCBG. There is no net increase for the combined program.

Ryan White AIDS Treatment Grants The President's budget calls for \$1.7 billion for FY 2001, a \$125 million (8%) increase over FY 2000. The Ryan White program helps to increase access to medical care and pharmaceuticals for individuals living with HIV/AIDS.

Strengthening the Health Care Safety Net The President requests \$1.2 billion over 10 years for a new program that increases the number of services delivered to the uninsured, coordinates systems of care, and supports community health centers.

Children's Hospital Graduate Medical Education (GME) Payments The President includes \$40 million for GME payments to freestanding children's hospitals, a \$40 million (100%) increase over last year's enacted levels.

Global AIDS Relief To combat the AIDS pandemic abroad, the Administration's budget proposal adds \$100 million for AIDS education, prevention, and treatment.

National Family Caregiver Support Program As part of the President's Long Term Care Initiative, the budget includes \$125 million in 2000, \$625 million over five years, to create a National Family Care Giver Support Program. By providing respite services, training in complex care, counseling, and referral assistance through "one stop shops," approximately 250,000 families caring for elderly relatives who are chronically ill or disabled will be relieved of caregiver stress.

Internet Drug Sales To protect consumers when they purchase medication from Internet pharmacies, the Administration seeks to provide the FDA with funds to carry out a public education campaign. The proposal would also allow the FDA to impose penalties on pharmacies that dispense drugs without a valid prescription.

Medical Errors The Institute of Medicine recently reported that medical errors and adverse events may be responsible for the deaths of 98,000 Americans annually. In response, the Food and Drug Administration’s FY 2001 budget includes \$16 billion to improve its electronic surveillance and reporting system and \$20 million for the Agency for Healthcare Research and Quality to fund research to reduce preventable medical errors.

Table 2: Discretionary Health Care Priorities in FY 2001 Budget

(in millions of dollars)	FY 2000 Enacted	FY 2001 Budget Request
National Institutes of Health	17,793	18,813
Substance Abuse and Mental Health Services Administration	2,652	2,823
Indian Health Service	2,391	2,620
Centers for Disease Control	3,019	3,239
Maternal and Child Block Grant	709	799 ¹
Ryan White AIDS grants	1,595	1,720
Family Planning	239	274
Community Health Centers and other Resources for the Uninsured	1,044	1,169
Health Professions Programs	209	115
Children’s Hospital GME payments	40	80
Global AIDS Relief	242	342
<u>New Initiatives</u>		
Caregiver Support	0	125
Internet Drug Sales Regulation	0	10
Medical Errors	0	36

TAX CREDITS

Long Term Care President Clinton has proposed a \$3,000 tax credit to help people with disabilities or lasting illness to pay for long term care. The tax credit would be phased in, beginning with \$1,000 in 2001 and rising by annual increments of \$500, so eligible individuals can claim up to \$3,000-a-year by 2005 for themselves, their spouses, or dependents. Many families would not receive the full benefit, however, because they do not pay \$3,000 in federal income taxes.

¹Includes \$90 million for Healthy Start grant but no new funding.

Small Business Health Plans the President’s budget includes tax incentives to foster the formation of small business purchasing coalitions. The Administration also offers small businesses that currently do not offer health insurance a tax credit equal to 20% of their contribution toward the purchase of health insurance obtained through purchasing coalitions.

Vaccine The Administration has proposed creating a new tax credit for the sales of vaccines for malaria, tuberculosis, and HIV/AIDS to encourage research, development, and production and help developing countries who would otherwise not be able to afford to buy them. This proposal would be credit against federal income taxes for sales of qualifying vaccines. The credit would match each dollar spent by qualified nonprofit organizations to buy a vaccine — effectively doubling their purchasing power and representing up to \$1 billion of additional funding for future vaccine purchases.

Table 3: Health Care Tax Credits: Reductions in Receipts

(In millions of dollars)	2001	2002	2003	2004	2005	2001-05	2001-10
Long-term care	-109	-1,150	-1,681	-2,427	-3,028	-8,395	-25,444
Small business health plans	-1	-9	-22	-35	-38	-105	-313
Vaccine development	***	-100	-100	-100	-100	-400	-1,000

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